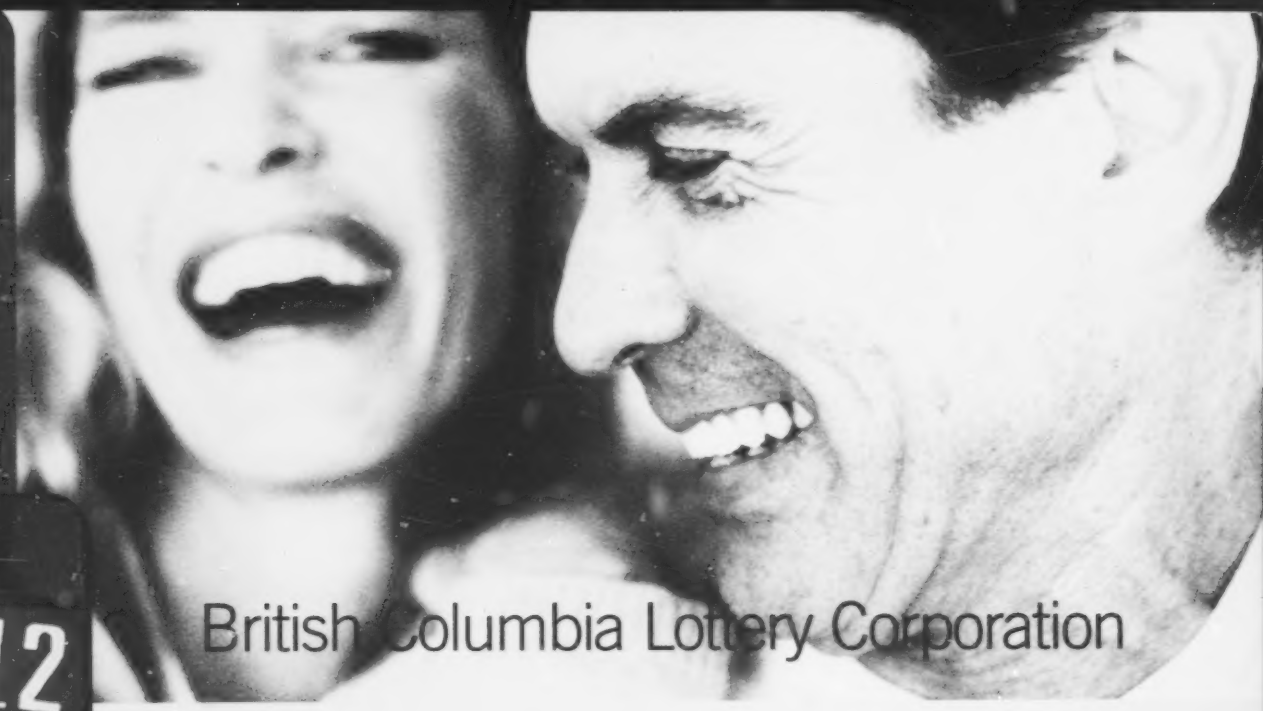
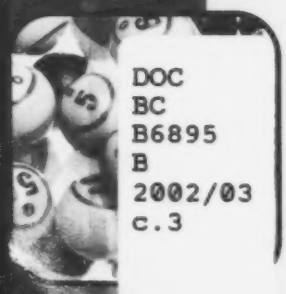


British Columbia Lottery Corporation



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Every play makes
a difference for
British Columbians.

British Columbia Lottery Corporation

www.bclc.com

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2002/2003 ANNUAL REPORT

SENIOR EXECUTIVE

President & CEO
Vic Poleschuk

Vice-President
Rob Egan
Corporate Development
& Information Technology

Vice-President
Jay-Ann Fordy
Human Resources
& Organizational Development

Vice-President
Jim Lightbody
Lottery Gaming

Vice-President
Brian Lynch
Casino Gaming

Vice-President
Doug Penrose
Finance & Corporate Services

Board Members

Chair
T. Richard Turner
West Vancouver
Appointed September 26, 2001

Vice-Chair
Arthur Willms
North Vancouver
Appointed September 26, 2001

Directors
John Bell
West Vancouver
Appointed September 26, 2001

Bruna Giacomazzi
Abbotsford
Appointed September 26, 2001

Mary MacGregor
Kamloops
Appointed September 26, 2001

D. Neil McDonnell
North Vancouver
Appointed April 23, 2002

Tazeem Nathoo
West Vancouver
Appointed July 26, 2002

Donald Pettit
West Vancouver
Appointed September 26, 2001

Kathy Stevenson
Kelowna
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VICTORIA, BC
DEC

To the Minister Responsible for British Columbia Lottery Corporation

Dear Minister:

In fiscal 2002/03, British Columbia Lottery Corporation (BCLC) experienced a year of challenges and opportunities, continued development and growth.

For the 28th consecutive year, the Corporation achieved record revenues of nearly $1.8 billion. This resulted in record net income of $670.9 million, of which $663.2 million was distributed to the Government of British Columbia to support public service programs, charitable organizations and communities. A further $7.7 million in net income was distributed to the Government of Canada.

On behalf of the Board of Directors, senior management and employees, retailers and service providers, it is my privilege to submit BCLC's Annual Report for fiscal year ended March 31, 2003.

T. Richard Turner
Chair, Board of Directors

Chair's Message

The British Columbia Lottery Corporation enjoyed another successful year in fiscal 2002/03 as it pursued its mission to provide high quality gaming entertainment in a socially responsible manner while generating significant net income for the benefit of all British Columbians.

While delivering its business objectives, "play responsibly" is a commitment that the Corporation takes seriously. Whether it is the games played or the programs and public information available, responsible gaming is a cornerstone of the way our business is conducted.

To this end, BCLC has partnered with the Government of British Columbia to establish the B.C. Partnership for Responsible Gambling which sets out the shared commitment, roles and responsibilities of Government, BCLC and gaming service providers. Of adults who participate in gaming activities, 96 per cent do so in a responsible manner.

For those who struggle with gambling issues, help is available. During the year, $3.3 million from the net income earned by BCLC was spent by Government to provide problem gambling treatment, awareness and education programs.

Gaming in British Columbia continues to be a matter of balance. Working within the approved Government policy framework, BCLC must work to find the right balance between the financial and economic benefits generated through gaming, which provides significant funding for vital government, charitable and community programs and services and the potential social impacts of gaming on individuals and communities.

While the gaming business continues to grow in British Columbia, public policy has mandated a moderate approach in comparison to other Canadian provinces with per capita expenditures on gaming in British Columbia continuing to be one of the lowest in Canada.

During this year, BCLC through its lottery, casino and commercial bingo business achieved record sales revenues of nearly $1.8 billion. Record net income of just under $671 million was also achieved, with just over $663 million being distributed to the Government of British Columbia and $7.7 million being distributed to the Government of Canada.

Of the $663 million distributed to the Province, almost half a billion dollars was allocated through Government general revenues to vital public sector programs in healthcare, education and social services, benefiting people all across the province. As well, many community and charitable initiatives were supported through gaming revenues. From hospice to 4H and emergency rescue to sports equipment for youth, gaming revenues have made a significant difference to over 5,000 charitable and community organizations. In this year alone, of Government's guarantee commitment of $133.2 million, BCLC's net income provided $126 million for these organizations' very important programs and services. In addition, municipalities and First Nations from all across the province shared in over $38 million for vital municipal and community services and programs from casino net revenues.

Benefiting British Columbians through healthcare, education and many worthwhile charitable and community causes is only one aspect of our gaming business. Another is the economic benefit of the business of gaming. Over 8,500 people are directly employed in the gaming business in British Columbia with an additional 5,000 indirect jobs being created annually. From the construction of facilities, to employment, to services purchased as well as commissions and fees paid to our valued business partners, significant economic benefits are created in British Columbia through gaming.

In this past year alone, BCLC paid $322 million in sales commissions to our private sector business partners to deliver lottery, casino and bingo products and services to our players. These business partners include 4,000 independent retailers that sell BCLC lottery products, nine casino service provider companies and 25 bingo service provider companies contracted to provide facility and operational services.

Of the Corporation's total expenditures, not including prizes, direct commissions or GST, BCLC paid $101 million, or approximately 75% of this category, to private sector partners and suppliers.

And our players were winners too with over $650 million in lottery and bingo prizes being awarded, including 27 new lottery millionaires in British Columbia alone.

Over the next year, the Corporation will continue to operate within the gaming policy framework established by Government and meet fiscal expectations by further developing its current lines of business, increasing its customer base and improving the entertainment value of its products, recognizing that consumers continue to have many more competitive choices on how they choose to spend their discretionary entertainment dollars.

The Corporation will continue to uphold the highest standards in its responsibilities to conduct and manage gaming in British Columbia and in balancing both its fiscal and social objectives. By doing so, not only will we continue to ensure a healthy balanced gaming industry in British Columbia, but also an industry where every play makes a difference for all British Columbians.

T. Richard Turner
Chair, Board of Directors

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President's Message

For the 28th consecutive year, the British Columbia Lottery Corporation achieved record sales and profit. The Corporation finished the fiscal year with total revenues from lottery, casino and bingo operations of $1.79 billion, an overall increase of $185 million or 11.5%. Net income increased from $606.1 million to $670.9 million or 10.7%, supporting public service programs for Government health, education, social programs as well as charitable, community and municipal programs and services.

The introduction of new innovative products, the first full year's management of commercial bingo, new lottery distribution channels and technology, the opening of two destination casinos, record Lotto Super 7 jackpots and operating efficiencies resulting from the implementation of the Core Services Review recommendations contributed to our business growth.

Lottery sales totalled $968.6 million, an increase of $5.9 million from the previous fiscal year. A record $37.8 million Lotto Super 7 jackpot early in the year and a $22 million jackpot near fiscal year-end were primarily responsible for this increase. Gaming enhancements and the development and refinement of the lottery retail network continued throughout the year.

Casino revenues of $628.1 million exceeded budget by $13.1 million and the previous year by $75.7 million. A full year of casino operations in Coquitlam and View Royal, new industry standard products, and the opening of new destination casinos in Wells and Cranbrook contributed to this increase.

Within Government's gaming policy framework and in partnership with our casino service providers, the Corporation focused on initiatives to enhance the entertainment value for casino players through better facilities, services and products.

In our first full year of responsibility for the conduct and management of commercial bingo, significant steps were initiated in building a healthy and revitalized bingo industry for the benefit of charities, communities and players who enjoy bingo. New contracts were signed with bingo service providers with a renewed commitment to improving the player experience through improved facilities, products and services.

A new state of the art destination style bingo hall was opened in Kelowna and six new electronic Starship bingo sites were launched. The bingo hall relocation process, introduced in fiscal 2002/03, is positioned to revitalize bingo facilities in B.C. As part of the revitalization process, the Corporation commenced a review of the viability of specific bingo products.

BCLC provides regulated high quality gaming while remaining mindful that the benefits derived from gaming must be weighed against the social impacts on individuals and communities.

In fiscal 2002/03 BCLC continued its commitment to promoting social responsibility and responsible gaming practices through initiatives that included the appointment of a Director, Corporate Social Responsibility.

We will continue to play a strong role in the stewardship of the gaming business to ensure that responsible gambling awareness and research programs are in place and that treatment programs are available for the small percentage of the adult population who experience problems with gambling.

The Gaming Control Act, a new law to strengthen and streamline the management of gaming in British Columbia came into effect on August 19. This law stipulates that individuals must be 19 years of age or older to participate in gaming.

We are equally proud of our contributions to communities in British Columbia through our event sponsorship program. As an involved corporate citizen, BCLC provided financial support, resources and on-site involvement to a variety of community-based initiatives including the bid to bring the 2010 Olympic and Paralympic Winter Games to Vancouver and Whistler.

In January, Government approved BCLC's three-year, 2003/04 - 2005/06, service plan which outlines our planned growth within the overall Government gaming policy framework. The fiscal year ahead will bring increased competition for the consumer's discretionary entertainment dollar. Our challenge, like all consumer entertainment companies is to keep the products we offer attractive and fresh to consumers with varied preferences.

While the overall success of the Corporation is measured by the contributions of all business areas, casino gaming will experience the greatest growth. The plan provides for consolidation of casinos thereby creating fewer but higher quality, mid-sized, top-notch casino entertainment centres that appeal to British Columbian players and tourists alike.

At BCLC we realize that our greatest asset is our employees. We value our employees' contributions to the Corporation's success and will continue to foster a high performance organization that embraces our values of integrity, social responsibility, innovation and respect as we work together to achieve our strategic objectives.

We look forward to the challenges and opportunities that the three-year service plan will provide for improving our business and enhancing gaming entertainment for our customers. Our service plan initiatives will continue our proud history of high-quality gaming entertainment in a socially responsible manner whereby every play makes a difference for British Columbians.

Vic Poleschuk
President and CEO

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BENEFITS FOR BRITISH COLUMBIANS

Lottery sales began in British Columbia in 1974. Over 28 years, gaming has generated:

- $5.8 billion in net income distributed to the Government of British Columbia
- $148.3 million in net income distributed to the Government of Canada
- $7.5 billion in prizes won by players
- $1.8 billion in commissions and service fees earned by lottery retailers, and casino and bingo service providers

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984, and is continued under the Gaming Control Act of British Columbia (2002). Prior to 1985, the Province of British Columbia was a partner in Western Canada Lottery Foundation.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.

The Corporation's mandate includes responsibility to:

Conduct, manage and operate lottery gaming

Conduct, manage and operate casino gaming

Conduct, manage and operate electronic and commercial bingo gaming

In September 2001, the Corporation's responsibilities were expanded to include the marketplace management of horse racing in British Columbia.

BCLC's head office is located in Kamloops. A sales and marketing office in Richmond serves the principal Lower Mainland market.

BCLC markets its lottery, casino and bingo products to adults. Under the Gaming Control Act, which came into effect in August, 19 years is the legal age to participate in gaming in British Columbia.

Since Government introduced gaming policy changes in 1997, the Corporation's gross revenue has increased by $925 million or 107%. The majority of gaming growth over this period is attributed to the introduction of new, full-service casinos with slot machines and higher table game betting limits.

While gaming in British Columbia has grown significantly over the last few years, relative to other Canadian provinces, adult per capita levels of gaming net income are moderate.

As detailed in BCLC's fiscal 2003/04 - 2005/06 service plan, British Columbia ranked fourth among the provinces in 1992. Since this date, British Columbia's per capita gaming income has declined to eighth position, about two-thirds of the national average. This reflects the more rapid expansion of gaming in other provinces, specifically related to the introduction of large-scale casinos and video-lottery terminals.

To provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good

Vision Statement

To be a publicly respected, performance-driven Corporation

This vision entails the following:

BCLC will be a performance-driven organization that encourages accountability and values innovation

We believe integrity is fundamental to everything we do

Our Values

INTEGRITY

The games that we offer, and the way we conduct business, are fair, honest and trustworthy

SOCIAL RESPONSIBILITY

Everything we do is done with consideration of its impact on the people and communities of British Columbia

INNOVATION

We encourage and seek ideas that will improve our business and decide and act quickly in response to strategic and competitive market changes

RESPECT

Our workplace fosters openness, mutual respect and individual development

>

Gaming grants of over $15.5 million were directed to public health at a community level. Many charitable and community organizations supporting hospices, crisis intervention programs and family planning programs were funded.

STRATEGIC OBJECTIVES

To provide high-quality gaming entertainment

To be a socially responsible and respected organization that has a broad base of public support

To be an organization that is performance driven, encourages innovation and is accountable for its actions

To generate net income for the public good

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To generate net income for the public good

SuperStar Gold Bingo – $30,000

Michelle Dymichkowsky, Revelstoke, BC

Where the Money Goes

Total Revenues $1.8 billion

$650.0 million	>	Prizes paid to lottery and bingo winners
$322.0 million	>	Commissions and service fees paid to lottery retailers, casino and bingo service providers
$101.5 million	>	Operating expenses
$15.0 million	>	Ticket printing and bingo paper
$33.0 million	>	GST

Net Income $670.9 million

$7.7 million	>	Distribution to Government of Canada
$663.2 million	>	Distribution to Government of British Columbia

$488.8 million	>	Consolidated revenue
$126.0 million	>	Charitable and community organizations
$38.2 million	>	Host Local Governments
$6.9 million	>	Development Assistance Compensation
$3.3 million	>	Problem Gambling Program

Gaming provides significant benefits for people and communities throughout British Columbia.

BCLC net income is distributed to the Government of British Columbia, which disburses this money through vital public service programs for health, social, charitable and municipal purposes.

Since 1974, when lotteries began in British Columbia, a total of $5.8 billion in net income from gaming has been generated for the public good.

In fiscal 2002/03, BCLC achieved $670.9 million in net income from lottery, casino and bingo gaming, of which $7.7 million was distributed to the Government of Canada and $663.2 million to the Government of British Columbia.

HEALTH AND EDUCATION

Of the $663.2 million distributed to the Government of British Columbia, $488.8 million in lottery and casino net income was directed to consolidated revenue to support social programs, primarily in health care and education.

CHARITABLE AND COMMUNITY ORGANIZATIONS

Charitable and community organizations share in the profits from casino and bingo gaming. Government guarantees that these groups receive funding of a minimum $125 million, indexed annually. Of the fiscal 2002/03 guarantee commitment of $133.2 million, BCLC net income provided $126 million.

Gaming Policy and Enforcement Branch (GPEB) manages the distribution of these funds through the direct access program and commercial bingo hall affiliation. Some 5,500 eligible groups associated with community service, arts and culture, social causes, education, environment, community facilities, public health, safety, youth and sports received funding in fiscal 2002/03.

REVENUE SHARING

Under a Memorandum of Agreement between Government and the Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income generated by that casino.

Host local governments where destination casinos are located receive a one-sixth share of the net income generated by that casino.

In fiscal 2002/03, host local governments received a total of $38.2 million from 19 casinos. These governments may use the funds for any purpose and are required to submit quarterly reports to Government on expenditures.

Destination casino proponents received $6.9 million for local economic development associated with a casino.

PROBLEM GAMBLING PROGRAM

BCLC net income was also directed to Government's Problem Gambling Program. Payments in fiscal 2002/03 totalled $3.3 million.

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BC/49 – $1 Million

Andy & Margaret Martin, Dawson Creek, BC

>

"We phoned each of our girls and said to them, 'How would you like to have your mortgage paid off?'"

Year in Review

Gaming Legislation

British Columbia's Gaming Control Act came into effect on August 19, 2002. The Act establishes a comprehensive framework for regulating and managing gaming and brings certainty and stability to the gaming marketplace in British Columbia.

Core Services Review

In April the Corporation commenced implementation of the changes it recommended through the Core Services Review process. The changes were consistent with the Corporation's strategic plan that focuses on continually improving and growing the business within Government's gaming policy. The changes resulted in annual operational savings of about $10 million, a reduction of more than 100 full-time equivalent staff positions, and the closing of the Victoria prize payout office. Operating costs as a percentage of sales were reduced from 5.5% to 4.6%.

Lottery Business Unit

Fiscal 2002/03 was an especially exciting year of lottery jackpots, with records broken in Canada and in British Columbia.

In April, Lotto Super 7 offered a three-draw bonus series of guaranteed jackpots. The third jackpot of $20 million was not won and began a rolling pattern. By the May 17 draw the jackpot reached $34 million, garnering much attention as the largest jackpot in Canadian history.

Ticket sales pushed the final jackpot total to $37.8 million. Four winning tickets split the prize, including a ticket held by a Kelowna couple.

Near the end of the fiscal year, a Fort Nelson woman became a multi-millionaire on the March 14 Lotto Super 7 draw when she claimed the $17.2 million jackpot, the largest prize in British Columbia history. That record stood for merely two weeks when it was broken by a group of 20 female co-workers who shared the $22 million jackpot on the March 28 draw.

BCLC's strong sales performance from Lotto Super 7 was offset by lower than budgeted sales for Keno, Scratch & Win and Pull Tab. Competition from other forms of entertainment, shifts in consumer demand and changes in retailing have slowed the growth of lottery sales over the years.

Total lottery sales of $968.6 million exceeded the previous year by $5.9 million, but were $11.4 million less than budget.

The total number of Lotto 6/49 and Lotto Super 7 jackpots was comparable to the previous fiscal year. However, there were 15 Lotto Super 7 jackpots greater than $15 million, compared to five in the previous year.

Lottery net income to Government of $293.5 million was equal to budget, but less than the previous fiscal year by $0.3 million.

Players

Players won more than 76 million prizes worth a total of $650 million during fiscal 2002/03. This included 27 prizes of $1 million or more.

Key characteristics of the British Columbia lottery player include:

- Play is relatively equal between men and women
- 70% are over the age of 35
- 69% have some post-secondary education
- 58% are from households with an annual income in excess of $40,000

Lottery Retailers

BCLC offers lottery products through a network of about 2,885 retail locations and another 1,265 hospitality locations in licensed premises.

Retailers receive an industry standard commission rate on every product sold. Bonus programs offer opportunities for retailers to increase their earnings by achieving outstanding sales and service.

In fiscal 2002/03, lottery retailers earned $65.4 million in sales commissions and incentive earnings.

Over fiscal 2002/03, 340 new retail locations were added to the lottery network. In addition, the British Columbia Liquor Control and Licensing Branch's approved changes to policy and a pilot to install lottery terminals into 40 Licensee Retail Stores was completed in November.

Technology

BCLC's current online gaming system is 18 years old and does not meet the processing needs required to support projected sales volumes and gaming complexity.

After issuing a Request for Proposal for next-generation lottery terminals for replacement and growth of the lottery networks, the Corporation selected a preferred supplier. Phase 1, taking place in fiscal 2003/04 will involve software development, integration with the central game system and a pilot implementation of new state-of-the-art lottery terminals.

Games

Keno Bonus Keno

Keno sales of $191.4 million plus Keno Bonus sales of $35 million, for a total of $226.4 million, topped all lottery products again in fiscal 2002/03. Keno Bonus continued to attract greater player participation than projected.

Scratch & Win

Scratch and Win achieved sales of $183.3 million, below budget and the previous year's record sales. Set For Life, a $4 ticket with an annuity or cash option, continued to account for about 16% of Scratch & Win sales.

Living Large Lottery

Living Large Lottery launched in December as a British Columbia-only game and a direct replacement for the $20 interprovincial Celebration game.

The regular prize fund was supplemented with bonus prizing from the Unclaimed Prize Fund and players were rewarded with better overall odds of winning. Top prize was an annuity of $100,000 a year for 25 years or a lump sum of $1.5 million.

Living Large Lottery achieved budgeted sales of $8 million.

Lotto 649 BC49 extra

Lotto 6/49, the flagship game, finished third at $171.7 million. Sales below budget and below the previous fiscal year's sales were consistent with national results. BC/49, at $64.7 million, was slightly below budget and below the previous fiscal year. Extra, with sales of $72.2 million, exceeded budget and the previous fiscal year.

Lotto SUPER 7

Lotto Super 7 sales of $111.2 million were above budget and greater than the previous fiscal year. A record $37.8 million jackpot early in the fiscal year and a $22 million jackpot in March, as well as several jackpots in excess of $15 million, contributed to the increase in sales.

Super 7 Winner

$1.7 Million

Brenda Martin

Lgt Nelson, BC

"Now I don't have to worry about the price of anything I can just buy it!"

Coquitlam Casino >

There are two types of casinos in British Columbia — community and destination. Community casinos are existing facilities formerly known as charitable casinos. Destination casinos are new casinos approved in principle in fiscal 1998/99 through Government's Request for Proposal process. At fiscal year-end, there were 16 community casinos. One of these casinos has been closed since July 15, 2001 due to a labour disruption.

In 1998 Government approved in principle seven destination casinos subject to final approval. Since that date, four destination casinos have opened, two have been rescinded and one, Campbell River Indian Band, is in negotiation. Two of the four destination casinos were opened during the fiscal year, one in Wells and the second in Cranbrook.

On July 25, the Corporation initiated a formal process for the relocation of four community casinos to full-service facilities. Government previously determined that Royal Diamond (Vancouver), Royal Towers (New Westminster), The Grand (Vancouver) and Casino Hollywood (Prince George) are eligible to relocate.

In December, Government, Great Canadian Gaming Corporation and BCLC reached a tentative legal settlement, which if finalized will result in the relocation of the Richmond Casino as a full-service casino within Richmond and the closure of a company-serviced casino in Vancouver.

As a customer-focused company, the Corporation continued to respond to player interest through the introduction of the newest slot games. Among these were Money Time, Regis Cash Club and an updated version of the Wheel of Fortune. A new horse racing theme game, Sega Royal Ascot, was introduced into some casino sites.

PLAY! PULL TAB

Chaser

Pull Tab, available in the hospitality network of licensed premises, recorded sales of $94.4 million, below budget and below the previous fiscal year. Sales for Chaser were $2.1 million.

SPORTSACTION

Sports Action sales rose above budget to $30.4 million, a 17.5% increase over the previous fiscal year.

Casino Business Unit

BCLC was given responsibility to conduct and manage slot machines when they were introduced in British Columbia in 1997 as part of Government's change in gaming policy. BCLC assumed responsibility to conduct and manage all casino gaming in 1998.

The Corporation commenced implementation of a table game management system for casinos in January. This system automates manual processes, improves internal controls and reporting and strengthens the overall integrity of management of casinos in British Columbia.

The total casino net win of $628.1 million exceeded the budget by $13.1 million and the previous year by $75.7 million. A full year of operation of casinos in Coquitlam and View Royal, the introduction of interactive slot machines, new table games and the opening of new casinos in Cranbrook and Wells contributed to the strong sales growth.

Bingo Business Unit

In 1997, Government gave BCLC responsibility to conduct and manage electronic bingo products. The Corporation assumed additional responsibility for paper bingo in commercial bingo halls in January 2002. In January 2003, two-year contracts were signed with 33 commercial bingo halls with a view to negotiating long-term contracts at the end of the term.

At fiscal year end, touch-screen electronic bingo was available in 19 of 33 commercial halls. SuperStar Gold (linked) nightly progressive bingo was being offered in all commercial halls and about 40 independent halls operated by charities. Hand-held bingo units, a way to play paper bingo electronically, were operational in 27 sites, an increase of 16 locations since fiscal 2001/02.

Of British Columbia bingo players, 71% are female, 63% have some post-secondary education and 43% have annual household incomes greater than $40,000. Since last fiscal year the percentage of players with some post-secondary education has increased by 15% and the percentage of those with an annual household income greater than $40,000 has increased by 7%. Bingo players collected $118.2 million in prizes during the year.

In fiscal 2002/03 significant steps were initiated in building a healthy and revitalized bingo industry for the benefit of charitable and community organizations, communities and players who enjoy bingo.

The Corporation continued to work with service providers to develop a viable bingo model that is more profitable and sustainable for the bingo industry and BCLC. In February, BCLC launched a process that will provide for upgrading of bingo facilities within a community and in some cases the relocation of bingo facilities to best service the marketplace. As part of an analysis of product viability, BCLC commenced a review of where SuperStar Gold Bingo equipment should be placed to service market demand.

During the year, four commercial halls closed and one commercial hall opened. In fiscal 2001/02 two existing Kelowna bingo halls consolidated. The result was the construction and September 26, 2002 opening of Bingo Kelowna, the first purpose-built facility in the province. This 800-seat facility offers state-of-the-art bingo equipment, technology and a climate controlled environment to ensure optimum comfort for players in smoking and non-smoking areas. Featuring a full-service restaurant and offering a private suite for group bookings, Bingo Kelowna represents the beginning of a new era in bingo facilities designed to attract new players by offering an enhanced bingo gaming experience.

At the end of the fiscal year, Bingo Kelowna had exceeded the pre-consolidation sales for the same time period and had attracted visits from more than 2,000 players new to the Kelowna bingo experience.

Bingo Kelowna entertainment centre

Year in Review

> Charitable and community organizations supporting the enhancement of youth benefited from more than $3 million in gaming grants. Big Brothers and Big Sisters, Scouts and 4H were just some of the worthwhile organizations supporting this key initiative.

In fiscal 2002/03 BCLC opened six new electronic bingo systems at existing halls. Starship Triumph opened in Maple Ridge in April, followed in July by Starship Super Nova in Vernon, in September by Starship Aquarius in Nanaimo, in October by Starship Quasar in Cranbrook, in December by Starship Millennium in Victoria and in March by Starship Atlantis in Burnaby.

In fiscal 2002/03, total bingo sales grew from $92.3 million to $195.7 million, an increase of $103.4 million over the previous fiscal year. This increase reflects the first full year's operation of commercial bingo, the opening of six new electronic bingo sites during the year and the introduction of hand-held bingo into 16 new locations.

Starship Bingo sales reached $55.8 million, while SuperStar Gold Bingo sales were $11.9 million. Sales for hand-held bingo were $11.8 million. Revenues from the sale and distribution of bingo paper totalled $116.2 million over the fiscal year. About $341,000 of this revenue is attributed to bingo paper distribution to licensed bingo facilities in British Columbia by the Corporation.

Bingo Service Providers

BCLC pays bingo service providers according to a graduated scale based on a net win (net of prizes) formula. In fiscal 2002/03, service providers earned $36 million in service fees.

Charitable and Community Organizations

While the management structure was changed in 2001/02 whereby charitable and community organizations no longer are responsible to conduct and manage paper bingo, charitable organizations continue to play an important role in commercial bingo. Some charitable associations exercised their option to act as bingo service providers and continue to operate commercial bingo facilities on behalf of their member charities. Other charitable organizations continue to be directly involved in commercial bingo through certificates of affiliation that establish individual charitable organizations as the beneficiaries of bingo gaming revenues throughout the province.

Government also guarantees funding to charitable and community organizations of a minimum of $125 million indexed annually since 1998. In fiscal 2002/03 this funding totalled $133.2 million. Gaming Policy and Enforcement Branch manages the distribution of funds through government grant programs.

In today's marketplace bingo must compete for its share of dollars with other gaming and entertainment options. BCLC is working with its bingo service provider partners to improve the quality of the games and facilities in order to ensure that bingo players enjoy their bingo entertainment experience.

BINGO REVENUES – FOR FISCAL YEAR ENDING MARCH 31, 2003

BINGO HALL	SERVICE PROVIDER	CITY	BCLC BINGO SALES	NO. OF SEATS
711 Bingo Emporium	City Bingo Association	Victoria	$ 663,308	325
Abbotsford Bingo	Abbotsford Bingo Association	Abbotsford	7,489,541	604
Bear Mountain Bingo Hall	Vetter Management Service Ltd.	Dawson Creek	1,601,489	350
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	3,543,155	140
Bingo City	Bingo City Games Inc.	Prince George	2,309,751	600
Bingo Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	11,926,397	780
Brock Bingo Hall	Brock Bingo Inc.	Kamloops	9,912,724	598
Burnaby Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Burnaby	7,441,251	440
Campbell River Bingo Palace	Pacific Fundraising Ltd.	Campbell River	7,229,300	310
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	12,168,142	484
Cordial Bingo Hall	Cordial Bingo Association	Vancouver	541,116	522
Dob City	Alberni Valley Bingo Association	Port Alberni	2,918,382	336
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	5,840,773	525
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George	11,473,979	730
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge	7,870,292	500
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	7,237,092	500
Inkspot Bingo	Duncan Dabber Bingo Society	Duncan	4,812,376	625
Langford Drop-In Bingo	Pacific Fundraising Ltd.	Victoria	1,864,467	255
Langley Bingo Palace	Pacific Fundraising Ltd.	Langley	9,458,411	717
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	5,554,449	300
Lucky's – The Bingo Centre	Lucky's Ventures Ltd.	Williams Lake	3,913,576	400
Mission Bingo Association (RCL #57)	Mission Bingo Association	Mission	808,803	210
Nanaimo Bingo Palace	Pacific Fundraising Ltd.	Nanaimo	4,983,713	460
Newton Square Bingo Country	427967 BC LTD. (DBA Bingo Country)	Surrey	17,468,095	680
Nordley's Bingo Hall	Bute Street Bingo Association	Port Alberni	1,174,511	114
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson	835,357	155
Penticton Bingo Palace	Pacific Fundraising Ltd.	Penticton	4,561,427	420
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	17,148,158	800
Play It Again Bingo	Yarwood Enterprises Ltd.	Kamloops	1,679,674	500
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel	804,069	182
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John	3,679,340	310
River City Bingo	River City Bingo Association	Powell River	1,043,136	250
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	3,200,080	400
Totem Bingo Palace	Prince Rupert Bingo Association	Prince Rupert	2,545,946	240
Tri-City Bingo Palace	Pacific Fundraising Ltd.	Port Moody	365,282	600
Valley Entertainment Palace	Pacific Fundraising Ltd.	Courtenay	3,767,809	312
Victoria Bingo Palace	Pacific Fundraising Ltd.	Victoria	3,548,313	470
			$193,383,684	16,144
Independent Bingo Hall Revenue			$ 1,952,731	
Paper Bingo Distribution Revenue			$ 341,423	

NOTES:

Tri-City Bingo Palace closed July 27, 2002
711 Bingo Emporium closed October 2, 2002
Play It Again Bingo closed November 15, 2002
Bingo City closed January 11, 2003

AS OF MARCH 31, 2003

Commercial Halls offering HandHeld Bingo	27
Commercial Halls offering Starship Bingo	19
Commercial Halls offering Starship Bingo (Personal Play)	16
Commercial Halls offering Paper Bingo	33
Commercial Halls offering SuperStar Gold Bingo	33

BINGO HALL	SERVICE PROVIDER	CITY	BCLC BINGO SALES	NO. OF SEATS
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Bingo Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	11,906,397	780
Brock Bingo Hall	Brock Bingo Inc.	Kamloops	9,912,724	598
Burnaby Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Burnaby	7,441,251	440
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Fairweather Bingo Hall	Tenrim Properties Ltd.	Vernon	5,840,773	525
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George	11,473,979	730
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge	7,870,292	500
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	7,237,092	500
Inkspot Bingo	Duncan Dabber Bingo Society	Duncan	4,812,376	625
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Rocky Mountain Bingo	Tenrim Properties Ltd.	Cranbrook	3,200,080	400
Totem Bingo Palace	Prince Rupert Bingo Association	Prince Rupert	2,545,946	240
Tri-City Bingo Palace	Pacific Fundraising Ltd.	Port Moody	365,282	600
Valley Entertainment Palace	Pacific Fundraising Ltd.	Courtenay	3,767,809	312
Victoria Bingo Palace	Pacific Fundraising Ltd.	Victoria	3,548,313	470
			$193,383,684	16,144
Independent Bingo Hall Revenue			$ 1,362,731	
Paper Bingo Distribution Revenue			$ 341,423	
			$195,677,838	**16,144**

City Bingo Palace closed July 27, 2002
711 Bingo Emporium closed October 2, 2002
Play It Again Bingo closed November 15, 2002
Inkspot City closed January 11, 2003

Commercial Halls offering HandHeld Bingo	23
Commercial Halls offering Starship Bingo	19
Commercial Halls offering Starship Bingo (Personal Play)	16
Commercial Halls offering Paper Bingo	33
Commercial Halls offering SuperStar Gold Bingo	33

CASINO REVENUES – FOR FISCAL YEAR ENDING MARCH 31, 2003

CASINOS:							
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 9,055,493	134	$ 563,199	6	$ 9,618,692
Casino Hollywood	Prince George Casino Supply Co. Inc.	Prince George	21,776,003	220	2,662,938	9	24,438,941
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	64,079,966	300	40,258,205	32	104,338,171
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver			18,155,967	32	18,155,967
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	18,582,709	169	14,948,320	24	33,531,029
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver			20,995,602	32	20,995,602
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	56,896,345	300	32,332,678	33	89,229,023
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver			30,606,016	37	30,606,016
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	34,131,958	300	4,907,425	16	39,039,383
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver			11,664,714	24	11,664,714
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond			44,810,593	35	44,810,593
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	View Royal	41,593,325	300	10,393,258	30	51,986,583
Lake City Casino Kamloops	Lake City Casinos Ltd	Kamloops	23,061,400	275	2,665,083	10	25,726,483
Lake City Casino Kelowna	Lake City Casinos Ltd	Kelowna	28,944,882	300	4,366,895	12	33,311,777
Lake City Casino Vernon	Lake City Casinos Ltd	Vernon	18,989,454	177	1,341,769	8	20,331,223
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver			-		-
			$317,111,535	2,475	$240,672,662	340	$557,784,197
DESTINATION CASINOS:							
Lake City Casino Penticton	Lake City Casinos Ltd	Penticton	$ 17,099,491	224	$ 1,425,542	10	$ 18,525,033
Royal City Star Casino	**Star of Fortune Gaming Management (BC) Corp.**	**New Westminster**	**34,578,070**	**300**	**11,813,474**	**28**	**46,391,544**
Casino of the Rockies	Lake City Casinos Ltd	Cranbrook	4,535,017	225	575,637	10	5,110,654
Jack o' Clubs	**Jack o' Clubs Gaming Hall Ltd.**	**Wells**	**302,800**	**80**	**9,318**	**4**	**312,118**
			$ 56,515,378	**829**	**$ 13,823,971**	**52**	**$ 70,339,349**
			$373,626,913	3,304	$254,496,633	392	$628,123,546

NOTES: The number of tables represents the maximum tables (including poker tables) per casino. The actual number of tables open fluctuates daily and there are rules outlining the number of tables open at any one time. The number of maximum tables has fluctuated throughout the year.

Casino of the Rockies opened on September 21, 2002. Lake City Casinos Limited operates the casino on behalf of Ktunaxa/Kinbasket Tribal Council Society and 554381 B.C. Ltd.
Jack o' Clubs opened on June 21, 2002 and closed September 2, 2002. Reopens June 20, 2003 for the season
Royal Diamond Casino closed due to a labour disruption July 15, 2001

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE – FOR FISCAL YEAR ENDING MARCH 31, 2003

LOCAL GOVERNMENT	CASINO	2002/2003 TOTAL
Burnaby	Gateway Casino (c)	$ 5,968,000
Coquitlam	Great Canadian Casino (c)	5,091,000
Kamloops	Lake City Casino (c)	1,560,000
Kelowna	Lake City Casino (c)	2,001,000
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	475,000
Nanaimo	Great Canadian Casino (c)	2,338,000
New Westminster	Gateway Casino Royal Towers (c)	1,868,000
	Royal City Star Casino (d)	4,497,000
New Westminster Total		**$ 6,365,000**
Penticton	Lake City Casino (d)	1,877,000
Prince George	Casino Hollywood (c)	1,480,000
Quesnel	Billy Barker Casino (c)	584,000
Richmond	Great Canadian Casino (c)	2,186,000
Vancouver	Grand Casino (c)	1,024,000
	Great Canadian Casino Holiday Inn (c)	1,485,000
	Gateway Casino Mandarin Centre (c)	885,000
	Great Canadian Casino Renaissance (c)	561,000
Vancouver Total		**$ 3,955,000**
Vernon	Lake City Casino (c)	1,241,000
View Royal	Great Canadian Casino (c)	3,068,000
Wells	Jack o' Clubs (d)	32,000
TOTAL		**$ 38,221,000**

c = community casinos (10% share)
d = destination casino (one-sixth share)

Casino of the Rockies opened September 21, 2002
Jack o' Clubs opened June 21, 2002 and closed September 2, 2002. Due to reopen for the season on June 20, 2003.

CASINO	SERVICE PROVIDER	CITY	BCLC SLOT MACHINE REVENUE	NUMBER OF SLOT MACHINES AT MARCH 31	BCLC TABLE GAME REVENUE	NUMBER OF TABLES AT MARCH 31	BCLC COMBINED CASINO REVENUE
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 9,055,493	134	$ 563,199	6	$ 9,618,692
Casino Hollywood	Prince George Casino Supply Co. Inc.	Prince George	21,776,003	220	2,662,938	9	24,438,941
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	64,079,869	301	40,258,208	32	104,338,171
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver			18,155,967	32	18,155,967
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	18,582,700	160	14,948,320	24	33,531,020
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver			20,998,602	32	20,998,602
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	56,884,345	300	32,337,678	33	89,222,023
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver			30,606,016	37	30,606,016
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	34,131,958	300	4,907,425	16	39,039,383
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver			11,664,714	24	11,664,714
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond			44,810,593	35	44,810,593
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	View Royal	41,593,325	300	10,393,258	30	51,986,583
Lake City Casino Kamloops	Lake City Casinos Ltd.	Kamloops	23,061,400	275	2,665,083	10	25,726,483
Lake City Casino Kelowna	Lake City Casinos Ltd.	Kelowna	28,944,882	300	4,366,895	12	33,311,777
Lake City Casino Vernon	Lake City Casinos Ltd.	Vernon	18,989,454	177	1,341,769	8	20,331,223
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver					
			$317,111,535	2,475	$240,672,662	340	$557,784,197
Lake City Casino Penticton	Lake City Casinos Ltd.	Penticton	$ 17,699,491	294	$ 1,475,642	10	$ 18,525,033
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	34,578,070	300	11,813,474	28	46,391,544
Casino of the Rockies	Lake City Casinos Ltd.	Cranbrook	4,539,017	255	576,617	10	5,110,634
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	302,800	80	9,318	4	312,118
			$ 56,515,378	829	$ 13,823,971	52	$ 70,339,349
			$373,626,913	3,304	$254,496,633	392	$628,123,546

LOCAL GOVERNMENT	CASINO	2002/2003 TOTAL
Burnaby	Gateway Casino (c)	$ 5,968,000
Coquitlam	Great Canadian Casino (c)	5,991,000
Kamloops	Lake City Casino (c)	1,560,000
Kelowna	Lake City Casino (c)	2,001,000
Kitimat/Kimberley/ Prince Rupert Society	Casino of the Rockies (d)	475,000
Nanaimo	Great Canadian Casino (c)	3,338,000
New Westminster	Gateway Casino Royal Towers (c)	1,868,000
	Royal City Star Casino (d)	4,497,000
New Westminster Total		$ 6,365,000
Penticton	Lake City Casino (d)	1,877,000
Prince George	Casino Hollywood (c)	1,480,000
Quesnel	Billy Barker Casino (c)	681,000
Richmond	Great Canadian Casino (c)	2,186,000
Vancouver	Grand Casino (c)	1,034,000
	Great Canadian Casino Holiday Inn (c)	1,480,000
	Gateway Casino Marine Drive (c)	885,000
	Great Canadian Casino Renaissance (c)	561,000
Vancouver Total		$ 3,955,000
Vernon	Lake City Casino (c)	1,241,000
View Royal	Great Canadian Casino (c)	3,068,000
Wells	Barkerville Gold (d)	42,000
TOTAL		$ 38,221,000

Our Employees

As a dynamic and responsible marketing company, change is a constant. We continually strive to provide high-quality adult gaming entertainment and to improve our consumer services and business practices. This vision has provided 28 consecutive years of significant financial benefit for all British Columbians.

The Corporation's success is a credit to the spirited contribution of our 536 enthusiastic employees. From slot technician to retailer trainer to consumer service representative, all share in the challenges and opportunities from our casino, bingo and lottery business initiatives.

Our employees provide direction, services and support to about 4,000 private sector businesses that sell lottery products, nine professional casino service companies that are contracted to provide day-to-day operational services at casino properties and 25 contracted professional bingo service companies that provide operational services at 33 commercial bingo halls. Collectively more than 8,500 private sector jobs have been created by the gaming industry.

In fiscal 2002/03 our employees met the challenges of our strategic business plan and focused on positioning our organization for continued improvement and growth in the future. This included the implementation of changes identified through Core Service Review including a reduction of more than 100 full-time equivalent staff and the closing of the Victoria prize payout office.

In November, BCLC held organizational wide employee sessions and, as a result, an employee team has been mandated and empowered to lead BCLC through a process of fundamental change with the objective of creating a high performance culture.

Committed to the long term success of our business, our employees will continue to serve the people of British Columbia by offering games of chance that are fun, fair and honest and conducted with the greatest integrity.

This commitment is felt not just in the workplace. Our employees are proud to live, work and play in the communities where they work. United Way not-for-profit organizations and various Christmas charities benefit from the volunteer commitment of employees whose innovative fund-raising efforts throughout the year raise thousands of dollars for these worthwhile causes.

We value our employees' contributions to the Corporation's success and to the communities in which they live and we will continue to foster a corporate culture that is fair, healthy and progressive and promotes an empowered, high performance culture for the benefit of all.

> *More than $2.5 million in gaming grants was directed to charitable and community organizations supporting environmental conservation and wildlife preservation.*

Social Responsibility

BCLC is committed to promoting social responsibility and responsible gaming practices.

The Corporation ensures that:

- games are operated with a high degree of security and integrity
- the right prizes are paid to rightful winners
- audited financial statements are published annually
- laws concerning the legal age to participate in gaming in British Columbia are upheld and conveyed through a visual-identity program.

BCLC works in partnership with the Government of British Columbia and those involved in prevention and treatment to address issues and provide reliable and accurate information. Objectives are to:

- Promote responsible participation in gambling
- Improve awareness of the risks associated with gambling and that help is available to those experiencing problems
- Support prevention and education initiatives and participate where it is appropriate
- Provide funding for responsible and problem gambling programs.

Problem Gambling Help Line

1-888-795-6111

BRITISH COLUMBIA

Legal gaming occurs in a regulated environment. Individuals carry the responsibility to understand potential outcomes of games of chance, to make informed choices about gaming participation and to manage the extent of that involvement.

BCLC provides full information about products, including the odds of winning and losing and the risks associated with gambling, so that those who choose to gamble will have access to the information they need to make choices that are right for them.

19+ YEARS

The sale of lottery tickets to anyone under 19 years is prohibited by law.

Studies show that more than 96% of adults who participate in gaming enjoy the entertainment and social elements and do so within a sensible spending limit. For the other small percentage who may experience problems that require intervention, treatment programs are available.

Of the net income earned by BCLC, $3.3 million was spent by Government on British Columbia's Problem Gambling Program. The program is co-ordinated through the Ministry for Public Safety and Solicitor General. Key components focus on treatment, prevention and Help Line referrals.

The Problem Gambling Help Line at 1-888-795-6111 is a 24-hour resource providing information and referral to counselling and other services throughout British Columbia.

Brochures developed by the Problem Gambling Program target those at risk, their families, co-workers and employees. The brochures have been widely distributed through gaming venues, including lottery retailers, and a variety of health and social service agencies.

BCLC has been instrumental in increasing the public's awareness that help for problem gambling is available. All BCLC lottery products carry the Help Line number. Brochures, stickers and posters that provide information about the Problem Gambling Program and Help Line are strategically placed at gaming establishments.

BCLC's Casino and Commercial Bingo Hall Voluntary Self-exclusion Program is another tool available to those experiencing gambling problems. Individuals may choose to be voluntarily restricted from casinos or bingo halls for a specified period of time.

Sports for youth and the disabled benefited with more than $17 million in gaming grants targeted towards these charitable and community organizations. This money went to a number of worthy initiatives including sport equipment, safety equipment and medical supplies.

19+ YEARS

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Community Events

20 10
It's our winning number.
At the British Columbia Lottery Corporation, our primary role is to help the province and its communities win big. That's why we're proud to be a Supporting Founder of the 2010 Winter Olympic bid. When the International Olympic Committee comes to evaluate our home in March, you can bet we'll do everything we can to walk away with the prize.

Broad-based Community Support

Fiscal 2002/03 saw the continuation of a long tradition of support to events in communities across British Columbia, with a more focused approach. Following an extensive review of all BCLC event and community initiatives, and in conjunction with the Core Services Review process, the four-year community stage program was retired.

BCLC's commitment to municipalities, communities and charitable organizations was demonstrated through product- and corporate-branded event sponsorships. As a proud corporate citizen, BCLC supports a cross-section of community-based events in the areas of business, arts and culture and sports and recreation. Following is a sampling of events supported in fiscal 2002/03:

2010 - It's Our Winning Number

The Corporation recognizes the contributions of individuals and organizations that carry the torch of volunteer spirit in their communities. Volunteer effort and commitment creates vibrant, winning communities throughout the province. As founding supporter of the bid to bring the 2010 Olympic and Paralympic Winter Games to Vancouver and Whistler, the Corporation championed the supporter and volunteer recruitment drives. Since the drives left the starting block more than 118,000 supporters and 47,000 Team 2010 volunteers have signed up.

Partnerships – A Winning Combination

Through sponsorship opportunities and forming partnerships, BCLC contributes resources and expertise to events that enhance a community's lifestyle.

British Columbia's alliance with the horse racing industry was continued through Keno sponsorships for the live racing seasons at Hastings Racecourse in Vancouver and Fraser Downs in Surrey/Cloverdale. BCLC also partnered with regional tracks through featured event race days in Kamloops, Sidney and Vernon.

In the Interior, BCLC partnered with our casino service provider Lake City Casinos as co-presenting sponsors for the 5th Annual Rotary Invitational Golf Tournament, from which Rotary donated more than $34,000 to local charities and valued community projects.

BCLC's technical knowledge contributed to the success of a Black Tie Bingo charity event that resulted in more than $20,000 being raised for Royal Inland Hospital's pediatric playroom.

Sports Action sponsored the Air Canada Championship, introducing sports-minded enthusiasts to this lottery product. The event organizer directed a portion of the Championship proceeds to the United Way.

Sports Action also sped into the Molson Indy as a sponsor. Sports Action players entered for a chance to win a Once in a Lifetime Molson Indy Vancouver Experience by "test driving" an Internet simulated Sports Action Oddset game. On site Sports Action "pit stops" featured game information, tickets and promotional coupons.

Community Events

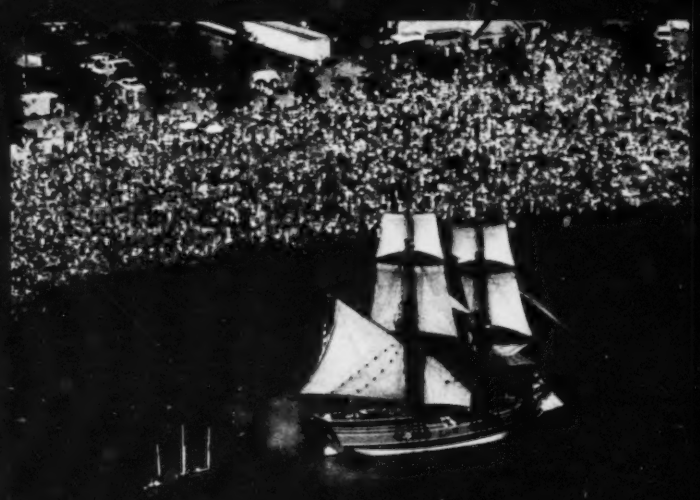
The Corporation's partnership with the City of Kamloops was unique in that it was co-planned as a two month summer festival of nightly events at Riverside Park for the enjoyment of residents and visitors.

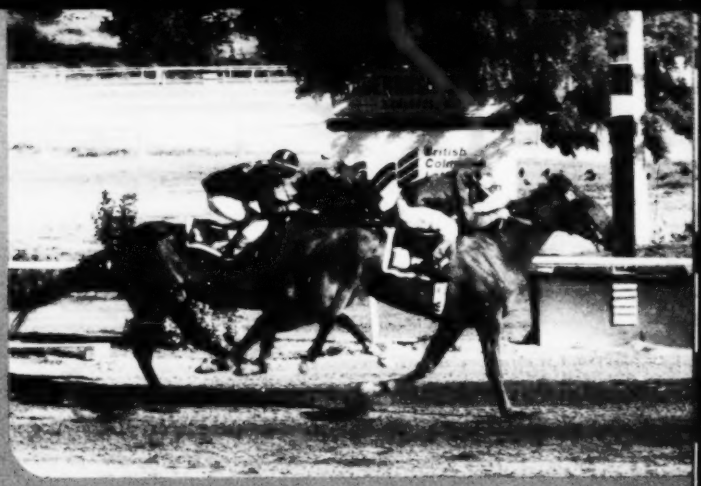
In February, the Corporation was the sponsor of the opening ceremonies for the 2003 British Columbia Provincial Winter Games. 4500 athletes and coaches, supported by 800 community volunteers, showed the best of the province.

Celebrating Culture and Heritage in British Columbia Communities

BCLC and Lotto 649 joined with other community minded companies and organizations as a sponsor for Canada Day celebrations in Vancouver and Victoria.

The Lotto 649 20th Anniversary sponsorship was one of the many entertainment options awaiting thousands of people from all corners of British Columbia and beyond that converged on historical Stanley Park to see the return of the world class Fireworks Festival.





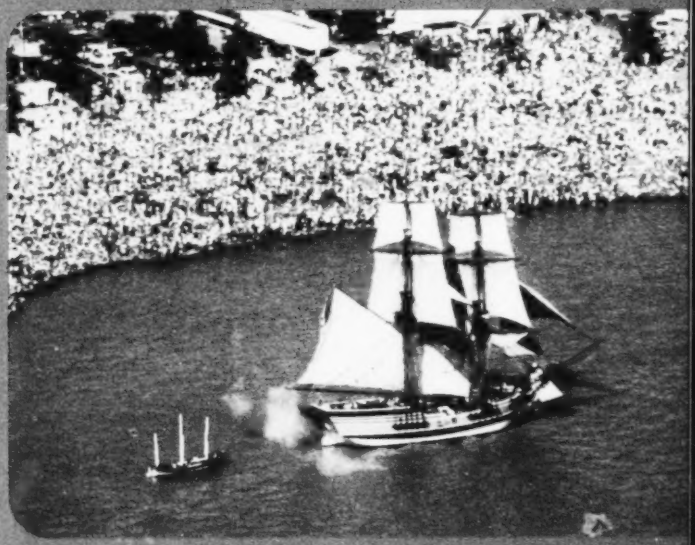
The Corporation's partnership with the City of Kamloops was music to their ears, as BCLC co-presented a two-month summer festival of nightly music at Riverside Park for the enjoyment of residents and visitors.

In February, the Corporation was title sponsor of the opening ceremony for the 2003 British Columbia Special Olympics Provincial Winter Games. 648 athletes and coaches, supported by 800 community volunteers shared the spirit of the games.

Celebrating Culture and Heritage in British Columbia Communities

BCLC and Lotto 6/49 joined with other community-minded businesses and organizations as a sponsor for Canada Day celebrations in Vancouver and Kamloops.

The Lotto 6/49 20th Anniversary mainstage was one of the many entertainment options awaiting thousands of people from all corners of British Columbia and beyond that converged on historical Steveston Harbour for the return of the world class Richmond Tall Ships in August.



Authority

Board of Directors

Directors

Chair

Board Committee Structure

BCLC Committees are responsible for advising and formulating recommendations to the Board. From time to time, the Board of Directors may establish committees as needed.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, note findings and recommendations.

The following committees have been established:

STANDING COMMITTEES

Audit

Chair: Bruna Giacomazzi
Members: Arthur Willms, Kathy Stevenson

- Liaises between the external and internal auditors and the Board
- Oversees the review of the Corporation's financial operation by the external auditors and makes a recommendation to the Board with respect to approval of audited financial statements
- Oversees the review of the Corporation's financial reporting, information systems, risk management and internal controls

STANDING COMMITTEES

Governance and Corporate Social Responsibility

Chair: Mary MacGregor
Members: Bruna Giacomazzi, Arthur Willms

- Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness
- Examines and makes recommendations regarding good corporate governance practices throughout the Corporation
- Oversees corporate social responsibility programs

Human Resources and Compensation

Chair: Tazeem Nathoo
Members: Donald Pettit, Neil McDonnell

- Examines the Corporation's strategies and practices that relate to human resource and compensation matters and succession planning issues and provides advice on these matters to the Board for consideration
- Reports to the Board as a whole with respect to compliance with current government directives and initiatives, including the Public Sector Employers' Council and the Crown Corporation Employers' Association

Marketing and Sponsorship

Chair: Donald Pettit
Members: John Bell, Neil McDonnell

- Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan
- Reviews the overall marketing and sponsorships, strategies and guidelines that will govern the Corporation's role on brands, business units and sponsorships
- Monitors the Corporation's performance against the marketing strategies and guidelines

Ex-officio members of all committees:

Chair, T. Richard Turner
President and CEO, Vic Poleschuk

More than $3.3 million in gaming grants went to charitable and community organizations supporting the enhancement of public safety. A wide range of search and rescue groups as well as volunteer fire fighters benefited from funding.

CORPORATE GOVERNANCE

Authority

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

By order-in-council, Government appointed a new BCLC Board of Directors September 26, 2001.

Board of Directors

The Board provides stewardship and ethical leadership by overseeing management of the Corporation's affairs with a view to the best interests of the Corporation and the long-term interests of the shareholder, the Government of British Columbia.

Directors

In carrying out the mandate of the Board, each director is required to act in accordance with a fiduciary duty, duty of care and conflict of interest duty.

Chair

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

More than $3.3 million in gaming grants went to charitable and community organizations supporting the enhancement of public safety. A wide range of search and rescue groups as well as volunteer fire fighters benefited from funding.

Financial Highlights

BC's Sat for Life – $675,000

Brian Vanin, Langley, BC >

"There's lots to think about."

Sales of $1.79 billion	>	were just short of budget by $7.6 million, but exceeded the previous fiscal year by $185 million
Record revenues	>	and net income for the 28th consecutive year
Net income	>	of $670.9 million exceeded budget by $5.9 million and the previous fiscal year by $64.8 million
Direct expenses	>	of $987 million were $7.0 million less than budget, but exceeded the previous year by $123.5 million
Administrative expenses	>	of $83 million were $2.5 million less than budget and $5.1 million less than the previous fiscal year
Ratio of administrative expenses	>	to sales of 4.6 % was the lowest since BCLC's first year in 1986

FINANCIAL RESULTS ($) IN MILLIONS	1998 1999	1999 2000	2000 2001	2001 2002	ACTUAL	BUDGET	VARIANCE
DIRECT EXPENSES	699.1	745.9	796.1	863.5	987.0	994.0	7.0
OPERATING EXPENSES	106.4	123.6	124.9	137.8	134.4	141.0	6.6

Management Discussion & Analysis

> View Royal Casino
– Car Winner
Mia Justus

This Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for fiscal year ended March 31, 2003, and should be read in conjunction with the Corporation's audited financial statements.

FINANCIAL RESULTS ($) IN MILLIONS	1998 1999 -	1999 2000	2000 2001	2001 2002	2002-2003 ACTUAL	BUDGET	VARIANCE
SALES							
Lottery	$910.6	$907.2	$937.0	$962.7	$968.6	$980.0	($11.4)
Casino	308.2	445.2	492.3	552.4	628.1	615.0	13.1
Bingo	42.7	49.1	53.7	92.3	195.7	205.0	(9.3)
	1,261.5	1,401.5	1,483.0	1,607.4	1,792.4	1,800.0	(7.6)
DIRECT EXPENSES	**699.1**	**745.9**	**796.1**	**863.5**	**987.0**	**994.0**	**7.0**
OPERATING EXPENSES	**106.4**	**123.6**	**124.9**	**137.8**	**134.4**	**141.0**	**6.6**
NET INCOME							
Lottery	282.5	287.8	285.4	293.8	293.5	293.5	0
Casino	171.5	242.3	271.7	299.5	354.6	346.0	8.6
Bingo	2.0	1.9	4.9	12.8	22.8	25.5	(2.7)
	$456.0	$532.0	$562.0	$606.1	$670.9	$665.0	$5.9

Management Discussion & Analysis

Financial Overview

For the 28th consecutive year, BCLC achieved record revenues and profit.

Sales of $1.79 billion were under budget by $7.6 million, but exceeded previous year sales by $185 million. Lower than expected sales from the lottery and bingo divisions were offset by strong performance from the casino division.

Direct expenses of $987.0 million were $7.0 million less than budget and $123.5 million greater than the previous year. A shift in gaming mix to lower prize expense games and lower than budgeted sales accounted for the majority of the variance from budget.

Total operating costs of $134.4 million were $6.6 million less than budget and $3.4 million less than fiscal 2001/02. Greater than anticipated savings resulting from the Core Services Review and the later than planned increase in the lottery network contributed to the positive variance.

Fiscal 2002/03 net income of $670.9 million was $5.9 million greater than budget and $64.8 million greater than the previous year. Strong performance from the casino division, a shift in gaming mix to higher contribution games and operational cost savings resulted in strong bottom line performance for the year.

Operational Highlights

Fiscal 2002/03 was a year of challenges, growth and achievement for BCLC. Highlights included new gaming legislation, Canada's largest jackpot ever, the opening of two new casinos, the first full year of commercial bingo operations and implementation of the Corporation's Core Services Review recommendations.

By June 2002, the majority of the Corporation's 125-plus Core Services Review recommendations, approved by the Board and Government in February 2002, were fully implemented. These recommendations resulted in reduced operating costs of about $10 million, a reduction in staffing levels from budget of more than 100 positions, and refocused the organization on core business activities.

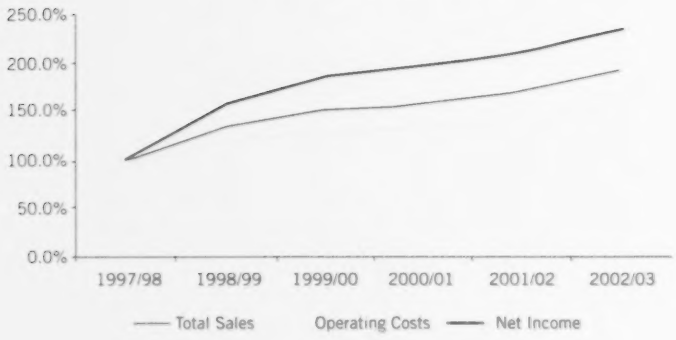
In August 2002, the Gaming Control Act (GCA), a new law to strengthen and streamline the management of gaming, came into effect. The GCA establishes a comprehensive framework for regulating and managing gaming in British Columbia and brings increased certainty and stability to the gaming marketplace.

Fiscal 2002/03 also represented the first full year of commercial bingo operations for BCLC. The Corporation successfully integrated this $100 million business into the organization with no increase in operational costs.

In January 2003, Government approved the Corporation's Service Plan. Implementation will result in a fundamental shift in how gaming is marketed in British Columbia. Specifically, the plan provides for the relocation and consolidation of existing casinos, approval to market-size casinos to consumer demand and approval to introduce industry standard slot machines into the marketplace.

In summary, BCLC increased revenues and profits by double digits, achieved key operational goals, successfully integrated commercial bingo into operations and ran the business with fewer people and a reduction in operating costs.

FINANCIAL TRENDS



Lottery Operations

Financial Overview

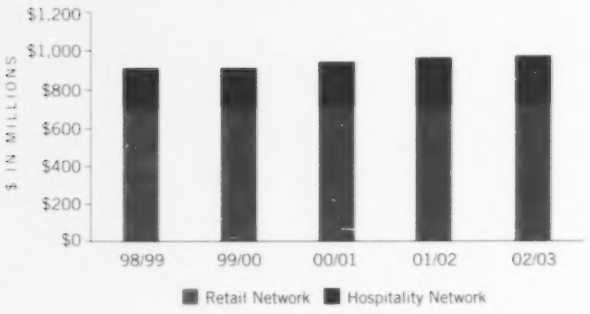
Fiscal 2002/03 lottery sales of $968.6 million exceeded the previous fiscal year by $5.9 million, but were $11.4 million less than budget. Strong sales performance from Lotto Super 7, reflecting a record $37.8 million jackpot early in the year and a $22 million jackpot in March, were offset by lower than budgeted sales for Keno, Scratch & Win and Pull Tab. Although the total number of Lotto 6/49 and Lotto Super 7 jackpots was comparable to last year, there were 15 Lotto Super 7 jackpots greater than $15 million, compared to five in the previous fiscal year.

Direct expenses of $610.3 million were $7.0 million under budget and $9.6 million greater than fiscal 2001/02. A shift in lottery product mix to lower prize expense games and lower than budgeted sales accounted for the majority of the variance from budget.

Operating expenses of $53.4 million were $3.8 million less than budget and $2.8 million less than the same period last year. A significant portion of the positive variance is attributed to lower costs for terminal maintenance and data communication, reflecting the later than planned expansion of the lottery network and costs savings realized through network refinements.

Fiscal 2002/03 net income of $293.5 million was equal to budget and less than the previous fiscal year by $0.3 million.

LOTTERY SALES TRENDS



Operational Highlights

The Corporation's lottery network consists of about 2,885 retail and 1,265 hospitality locations. Lotteries in British Columbia are considered a mature market. Over the last five-year period, sales growth has roughly matched inflation. Competition from other forms of entertainment, an aging population, shifts in consumer demand and significant changes at retail have all contributed to a flattening of lottery sales. The maintenance of current lottery revenues and future growth will be achieved through the introduction of new innovative product lines and the continued development and refinement of the retail network.

Operational highlights for the lottery division in fiscal 2002/03 included the selection of a new central gaming system and terminals, the development and implementation of self-service and video-display equipment for the hospitality gaming network, the introduction of a new game, Living Large Lottery, and the addition of 340 new retail locations to the lottery network.

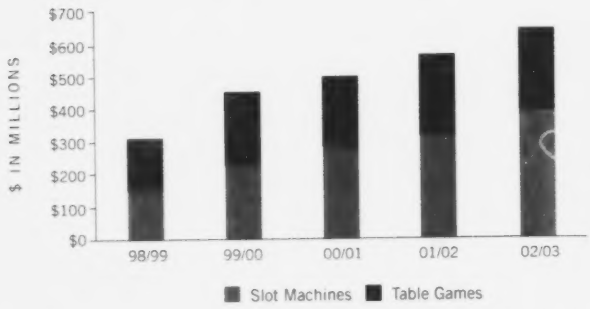
Casino Operations

Financial Overview

Fiscal 2002/03 casino net win of $628.1 million exceeded budget by $13.1 million and the previous year by $75.7 million. A full year of operation of casinos in Coquitlam and View Royal, new casinos in Cranbrook and Wells, and the introduction of interactive slots machines and new table games all contributed to the strong sales growth.

Direct expenses of $218.3 million were $5.6 million greater than budget and $25.3 million greater than fiscal 2001/02. The increase in direct costs reflects the increase in commissions required to support higher sales.

CASINO SALES TRENDS



Operating expenses of $37.2 million were $2.3 million less than budget and $6.8 million less than the previous fiscal year. Positive variances in salaries and marketing were partially offset by higher costs for advertising and professional fees.

Net income of $354.6 million exceeded budget by $8.6 million and the previous fiscal year by $55.2 million.

Operational Highlights

The Corporation's casino network includes 15 community and four destination casinos that operated 3,304 slot machines and 392 table games in fiscal 2002/03.

Operational highlights for the casino division in fiscal 2002/03 included the opening of two new destination casinos and the implementation of a new casino table game management system.

As part of BCLC's service plan recommendation, Government approved the introduction of industry standard slot machines. Casinos can now be sized to meet marketplace demand provided that the total number of slot machines remains as per Government policy.

BCLC's ability to maintain and grow casino revenues is dependent on the introduction of innovative new games and general acceptance by the public of how gaming is managed in a socially responsible manner.

Bingo Operations

Financial Overview

Fiscal 2002/03 bingo sales of $195.7 million exceeded the previous year by $103.4 million, but were $9.3 million less than budget. The increase in sales over fiscal 2001/02 reflects the first full year operation of commercial bingo and the opening of six new Starship Bingo sites during the year.

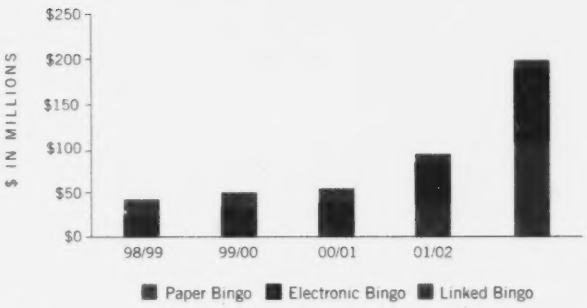
Sales performance from paper bingo was less than budget, continuing the downward trend that has been evident for the past several years.

Direct expenses of $158.4 million were $5.6 million less than budget and $88.8 million greater than fiscal 2001/02. The increase in direct costs over last year reflects the increase in prizes and commissions to support paper bingo sales in commercial halls for a full year.

Operating expenses of $10.9 million were $0.9 million less than budget and $2.6 million greater than fiscal 2001/02. Positive variances in salaries, equipment and advertising were partially offset by higher than budgeted expenditures for professional fees.

Fiscal 2002/03 net income of $22.8 million was under budget by $2.7 million, but exceeded the previous fiscal year by $10.0 million. The $2.7 million variance from budget reflects lower than anticipated sales and an increase in commission rates that were introduced in January 2003.

BINGO SALES TRENDS



Operational Highlights

The Corporation offers a variety of bingo products through a network of 33 commercial halls and about 80 independent operators. These products include electronic bingo (Starship Bingo), linked bingo (SuperStar Gold Bingo) and paper bingo.

Operational highlights for the bingo division in fiscal 2002/03 included the opening of six new Starship Bingo sites, a new destination-style entertainment centre in Kelowna, new contracts negotiated and implemented with commercial bingo hall operators, the implementation of an improved management information system for commercial bingo halls, and the introduction of a bingo hall relocation process to reposition and revitalize bingo in British Columbia.

Paper bingo sales in British Columbia and across Canada have been declining over the last several years. Changes in demographics and technology and strong competition from other forms of gaming have eroded the bingo market. BCLC's ability to maintain and grow bingo revenues will be dependent on our ability to revitalize the bingo market through improved facilities and innovative product enhancements that meet consumer demand.

Performance Review

Introduction

In July 2000, the *Budget Transparency and Accountability Act* (BTAA) was passed in the British Columbia Legislature.

The primary objectives of the BTAA are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and the quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public.

In August 2001, the BTAA was amended to require that three-year service plans for government organizations be made public annually with the budget on the third Tuesday in February. The Annual Report is intended to be a companion document to the service plan.

This year's Annual Report is the companion document to the Corporation's Fiscal 2002/03 – 2004/05 Service Plan that was tabled in February 2002.

The following Report on Performance reports on the six goals and related objectives, strategies, performance measures and targets that were established as part of the Fiscal 2002/03 – 2004/05 Service Plan. As a note of reference, during the planning process for fiscal 2003/04 and the resulting Fiscal 2003/04 – 2005/06 Service Plan, the Corporation reduced the number of goals from six to four and made revisions to the related objectives, strategies, performance measures and targets. Goals and objectives were revised to better align with changes in the Corporation's mandate as directed by Government and the new Gaming Control Act that became law in August 2002. These new goals and objectives will be reported in next year's Annual Report.

1. To Provide High-Quality Gaming Entertainment

OBJECTIVES

- Grow all business segments through the development of new innovative products and services
- Broaden the overall customer base by increasing the entertainment value of products offered to the public
- Develop a casino model that has long-term sustainability and maximizes the economic and tourism benefits for the province
- Reposition bingo to attract a broader customer base and to increase the entertainment value of products offered

STRATEGIES

- Provide more interactive products to increase the level of entertainment
- Develop and enhance distribution channels to make it more convenient for our customers to play and to provide a higher level of fun and entertainment
- Upgrade and relocate existing gaming facilities to provide a greater entertainment experience

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Revenue growth	5.8%	8.4%	11.5% actual 12.0% target	6.0%	4.7%
Customer satisfaction rating	89%	86%			
▪ Lottery			88%		
▪ Casino			91%		
▪ Bingo			93%		
			90% target	90%	95%
Relocate or open new casinos	1 new	2 relocations	2 new actual 1 new target	2 relocations	2 relocations

In fiscal 2002/03, BCLC increased sales to $1.79 billion, an increase of $185 million or 11.5% over the previous fiscal year. Two new destination casinos, the first full year of operation of commercial bingo, record lottery jackpots and the introduction of new, innovative products all contributed to the increase in sales.

BCLC's customer satisfaction ratings remained strong in fiscal 2002/03. New gaming facilities and improvements to existing locations, the introduction of new innovative games, and the opening of nine regionalized retail prize payout centres all contributed to the increase in customer satisfaction.

Two new destination casinos opened during the year. Jack O' Clubs opened in Wells June 21 and Casino of the Rockies in Cranbrook September 21. Both of these casinos were approved as part of Government's gaming policy announcements in 1998.

2. To be a Socially Responsible, Trustworthy, Community-Orientated Organization with a Broadened Base of Public Support

OBJECTIVES

- Build a corporate image that reinforces the following attributes: social responsibility, community focus, collaborative relationships, integrity, fun and entertainment, and well managed
- To be a strong, community-minded, good corporate citizen
- Actively participate in improving education, awareness, and access to information and resources for problem gambling
- Support the appropriate funding of problem gambling programs

STRATEGIES

- Create greater public awareness of the benefits and beneficiaries of gaming
- Support communities through select community event sponsorships
- Develop industry-leading risk management strategies and responsible gaming programs
- Support Government in the development and maintenance of an effective problem gambling program

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Public support rating	47.5%	52%	57% actual 55% target	60%	65%
Maintain problem gambling funding	$2.1 million	$2.5 million	$3.3 million actual $4 million target	n/a	n/a

BCLC's public support ratings increased to 57% from 52% in fiscal 2002/03. New gaming legislation that became law in August 2002 and clear direction from Government on the future development and regulation of gaming in British Columbia contributed to the growing support.

Government spent $3.3 million on problem gambling during the year, an increase of $800,000 over the previous fiscal year.

During the year, BCLC continued to build on its partnership with Government to develop and implement programs targeted at reducing the harm caused by problem gambling. Problem gambling messaging through publications, products and gaming facilities, along with continued support for the toll-free problem gambling Help Line, are a few of the initiatives supported during the year.

Effective April 1, 2003, BCLC will no longer provide direct funding for problem gambling. Funding for problem gambling will be provided for and managed by the Ministry of Public Safety and Solicitor General through the Gaming Policy and Enforcement Branch.

Performance Review

Introduction

In July 2000, the *Budget Transparency and Accountability Act* (BTAA) was passed in the British Columbia Legislature.

The primary objectives of the BTAA are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and the quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public.

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The following Report on Performance reports on the six goals and related objectives, strategies, performance measures and targets that were established as part of the Fiscal 2002/03 – 2004/05 Service Plan. As a note of reference, during the planning process for fiscal 2003/04 and the resulting Fiscal 2003/04 – 2005/06 Service Plan, the Corporation reduced the number of goals from six to four and made revisions to the related objectives, strategies, performance measures and targets. Goals and objectives were revised to better align with changes in the Corporation's mandate as directed by Government and the new Gaming Control Act that became law in August 2002. These new goals and objectives will be reported in next year's Annual Report.

1. To Provide High-Quality Gaming Entertainment

OBJECTIVES

- Grow all business segments through the development of new innovative products and services
- Broaden the overall customer base by increasing the entertainment value of products offered to the public
- Develop a casino model that has long-term sustainability and maximizes financial, economic and tourism benefits for the province
- Reposition bingo to attract a broader customer base and to increase the entertainment value of products offered

STRATEGIES

- Provide more interactive products to increase the level of entertainment
- Develop and enhance distribution channels to make it more convenient for our customers to play and to provide a higher level of fun and entertainment
- Upgrade and relocate existing gaming facilities to provide a greater entertainment experience

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Revenue growth	5.8%	8.4%	11.5% actual 12.0% target	0.0%	4%
Customer satisfaction rating • Lottery • Casino • Bingo	83%	89%	88% 91% 93% 90% target	90%	90%
Relocate or open new casinos	1 new	2 new/reno	2 new actual 1 new target	2 new/reno	2 new/reno

In fiscal 2002/03, BCLC increased sales to $1.79 billion, an increase of $185 million or 11.5% over the previous fiscal year. Two new destination casinos, the first full year of operation of commercial bingo, record lottery jackpots and the introduction of new, innovative products all contributed to the increase in sales.

BCLC's customer satisfaction ratings remained strong in fiscal 2002/03. New gaming facilities and improvements to existing locations, the introduction of new innovative games, and the opening of nine regionalized retail prize payout centres all contributed to the increase in customer satisfaction.

Two new destination casinos opened during the year. Jack O' Clubs opened in Wells June 21 and Casino of the Rockies in Cranbrook September 21. Both of these casinos were approved as part of Government's gaming policy announcements in 1998.

2. To be a Socially Responsible, Trustworthy, Community-Orientated Organization with a Broadened Base of Public Support

OBJECTIVES

- Build a corporate image that reinforces the following attributes: social responsibility, community focus, collaborative relationships, integrity, fun and entertainment, and well managed.
- To be a strong community-minded, good corporate citizen.
- Actively participate in improving education, awareness, and access to information and resources for problem gambling.
- Support the appropriate funding of problem gambling programs.

STRATEGIES

- Create greater public awareness of the benefits and contributions of gaming.
- Support communities through select community event sponsorships.
- Develop industry leading risk management strategies and responsible gaming programs.
- Support Government in the development and implementation of an effective problem gambling program.

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Public support rating	49%	52%	57% actual 55% target	60%	65%
Maintain problem gambling funding	$2.1 million	$2.6 million	$3.3 million actual $3 million target	n/a	n/a

BCLC's public support ratings increased to 57% from 52% in fiscal 2002/03. New gaming legislation that became law in August 2002 and clear direction from Government on the future development and regulation of gaming in British Columbia contributed to the growing support.

Government spent $3.3 million on problem gambling during the year, an increase of $800,000 over the previous fiscal year.

During the year, BCLC continued to build on its partnership with Government to develop and implement programs targeted at reducing the harm caused by problem gambling. Problem gambling messaging through publications, products and gaming facilities, along with continued support for the toll-free problem gambling Help Line, are a few of the initiatives supported during the year.

Effective April 1, 2003, BCLC will no longer provide direct funding for problem gambling. Funding for problem gambling will be provided for and managed by the Ministry of Public Safety and Solicitor General through the Gaming Policy and Enforcement Branch.

3. To be a Responsive, Customer-Focused Organization

OBJECTIVES

- Make it easy for customers to do business with us
- Make it easy for business partners to do business with us
- Foster loyalty among customers and business partners

STRATEGIES

- Develop products and services with the customers' needs in mind
- Review all existing policies and processes from our business partners' perspective and make changes where necessary
- Develop a closer relationship with individual customers and business partners

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Customer satisfaction rating (lottery) ▪ Lottery ▪ Casino ▪ Bingo	89%	86%	88% 91% 93% 90% target	90%	90%
Business partner satisfaction ratings (lottery)	93%	95%	94% actual 90% target	95%	95%
Establish baseline customer and business partner satisfaction ratings for casino and bingo operations	n/a	n/a	not measured	5% > baseline	10% > baseline

BCLC's customer satisfaction ratings remained strong in fiscal 2002/03. New gaming facilities and improvements to existing locations, the introduction of new innovative games, and the opening of nine regionalized retail prize payout centres all contributed to the increase in customer satisfaction.

BCLC's business partner satisfaction ratings with lottery retailers remained relatively stable at 94%. The Corporation did not establish baseline measures for the casino and bingo divisions in fiscal 2002/03.

4. To Maintain a Corporate Culture that Values Innovation and Excellence and is Committed to Employing the Best Possible People and Realizing their Potential

OBJECTIVES

- Make measured progress towards our values and preferred culture by encouraging innovation and openness to change
- Attract, develop and retain the right people with the right skills

STRATEGIES

- Pay fair compensation and recognize employees for their value
- Provide all employees with development and training opportunities
- Improve communication with employees to ensure they have a good understanding of the Corporation's goals, objectives and strategies

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04 - 2004/05
Maintain or increase employee satisfaction rating	not measured	not measured	not measured 75% target	>75%
Maintain or reduce employee turnover rate	4.4%	6.6%	12.1% actual <5% target*	<5%
Maintain or reduce employee absenteeism	1.7%	2.2%	1.8% actual <2.5% target	<2.5%

* Target does not include Core Services Review.

While employee satisfaction was not measured during the year, BCLC undertook employee sessions where all staff were given the opportunity to establish a new vision for the Corporation and to provide direct feedback on what was and was not working. As a result of these employee sessions, a group of employees from all levels of the organization have been mandated and empowered to lead a process of change in the organization, with the objective of creating a high-performance culture.

The implementation of Government's Core Services Review resulted in a reduction in staffing for the Corporation. As a result of the review, more than 100 full-time equivalents were eliminated and this is reflected in the Corporation's 12.1% employee turnover rate for the year.

At 1.8%, absenteeism levels remain very low in the organization.

3. To be a Responsive, Customer-Focused Organization

OBJECTIVES

STRATEGIES

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05

BCLC's customer satisfaction ratings remained strong in fiscal 2002/03. New gaming facilities and improvements to existing locations, the introduction of new, innovative games, and the opening of nine regionalized retail prize payout centres all contributed to the increase in customer satisfaction.

BCLC's business partner satisfaction ratings with lottery retailers remained relatively stable at 94%. The Corporation did not establish baseline measures for the casino and bingo divisions in fiscal 2002/03.

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STRATEGIES

- Pay fair compensation and recognize employees for their value
- Provide employees with development and training opportunities
- Improve communication with employees to ensure they have a good understanding of the Corporation's goals, objectives and strategies

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Maintain or increase employee satisfaction rating	not measured	not measured	not measured 75% target	≥75%	≥75%
Maintain employee turnover rate	4.4	6.6	12.1% actual <5% target	<5%	<5%
Maintain or reduce employee absenteeism	1.7%	2.2%	1.8% actual <2.5% target	<2.5%	<2.5%

Target date for Integrated Core Services Review

While employee satisfaction was not measured during the year, BCLC undertook employee sessions where all staff were given the opportunity to establish a new vision for the Corporation and to provide direct feedback on what was and was not working. As a result of these employee sessions, a group of employees from all levels of the organization have been mandated and empowered to lead a process of change in the organization, with the objective of creating a high-performance culture.

The implementation of Government's Core Services Review resulted in a reduction in staffing for the Corporation. As a result of the review, more than 100 full-time equivalents were eliminated and this is reflected in the Corporation's 12.1% employee turnover rate for the year.

At 1.8%, absenteeism levels remain very low in the organization.

5. To be an Efficient and Effective Business, Managing Our Resources Well and Delivering Tangible Results for British Columbians

OBJECTIVES

- Ensure enabling technologies and technical skills are in place to support revenue opportunities, innovation and operational effectiveness
- Perform strategic and core activities at or better than industry best practices
- Maximize operational effectiveness by reengineering business processes or divesting non-core, non-strategic functions that can be done more effectively and efficiently elsewhere

STRATEGIES

- Invest in gaming and business technology to ensure sufficient capacity and capability when required
- Implement a business improvement project to evaluate all business processes with the goal of improving existing processes and eliminating redundant or unnecessary processes

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Reduce operating costs as a percentage of sales	5.7%	5.5%	4.6% actual 5.0% target	4.7%	4.7%
Implement business improvement opportunities identified in Core Services Review	n/a	identify opportunities & benchmarks	implementation complete	continuous improvement	continuous improvement
Online game system availability	99.98%	99.87%	99.9% actual 99.9% target	99.9%	99.9%

In April, the Corporation began the implementation of its Core Services Review recommendations. These recommendations resulted in a reduction in operating costs of about $10 million and a reduction of more than 100 full-time equivalents. Of the 125-plus decisions or initiatives that resulted from the Core Services Review, almost all were implemented during the year.

Reflecting the Core Services Review recommendations and the resulting efficiencies, operating costs as a percentage of sales were reduced to 4.6% from 5.5%.

Online game system availability was maintained at 99.9% during the fiscal year.

6. To Generate Gaming Revenue and Continue Our Contributions to the Economic Development of British Columbia Communities

OBJECTIVES

- Improve operating results through the continued development and introduction of innovative new products and distribution channels that meet marketplace demand

STRATEGIES

- Continued upgrading of all gaming sectors to ensure products are competitive with neighbouring jurisdictions and meet marketplace demands
- Invest in research to ensure e-business opportunities are identified and evaluated

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Achieve revenue targets	$1.48 billion	$1.61 billion actual	$1.79 billion actual $1.8 billion target	$1.9 billion	$2.0 billion
Achieve income targets	$562.0 million	$606.1 million	$670.9 million actual $660.0 million target	$715.0 million	$765.0 million

For the 28th consecutive year the Corporation achieved record sales and profit. The introduction of new innovative products, the first full year operation of commercial bingo operations, and operating efficiencies resulting from implementation of the Core Services Review recommendations all contributed to the growth in the business.

In fiscal 2002/03, sales increased from $1.61 billion to $1.79 billion, an increase of $185 million or 11.5%. Net income increased from $606.1 million to $670.9 million, an increase of $64.8 million or 10.7%.

5. To be an Efficient and Effective Business, Managing Our Resources Well and Delivering Tangible Results for British Columbians

OBJECTIVES

STRATEGIES

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05

In April, the Corporation began the implementation of its Core Services Review recommendations. These recommendations resulted in a reduction in operating costs of about $10 million and a reduction of more than 100 full-time equivalents. Of the 125 plus decisions or initiatives that resulted from the Core Services Review, almost all were implemented during the year.

Reflecting the Core Services Review recommendations and the resulting efficiencies, operating costs as a percentage of sales were reduced to 4.6% from 5.5%.

Online game system availability was maintained at 99.9% during the fiscal year.

6. To Generate Gaming Revenue and Continue Our Contributions to the Economic Development of British Columbia Communities

OBJECTIVES

- Improve operating results through the continued development and introduction of new products and services that meet marketplace demand.

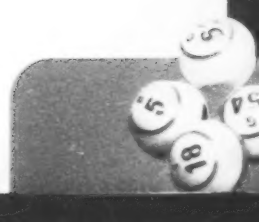
STRATEGIES

- Continue to upgrade and grow gaming facilities in urban and rural areas with larger, more entertaining and more comfortable venues.
- Invest in new and innovative gaming products that are profitable and responsible.

PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Net income (millions)	$1.48 billion	$1.61 billion	$1.79 billion $1.8 billion target	$1.9 billion	$2 billion
Gaming revenue	$606.1 million	$606.9 million	$670.9 million $650 million target	$700 million	$750 million

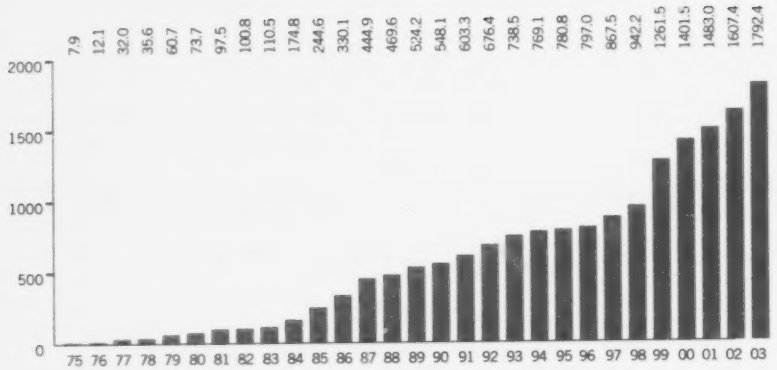
For the 18th consecutive year the Corporation achieves record sales and profit. The introduction of new innovative products, the first full year operation of commercial bingo operations and operating efficiencies resulting from implementation of the Core Services Review recommendations all contributed to the growth in the business.

In fiscal 2002/03, Sales increased from $1.61 billion to $1.79 billion, an increase of $185 million or 11.5%. Net income increased from $606.1 million to $670.9 million, an increase of $64.8 million or 10.7%.

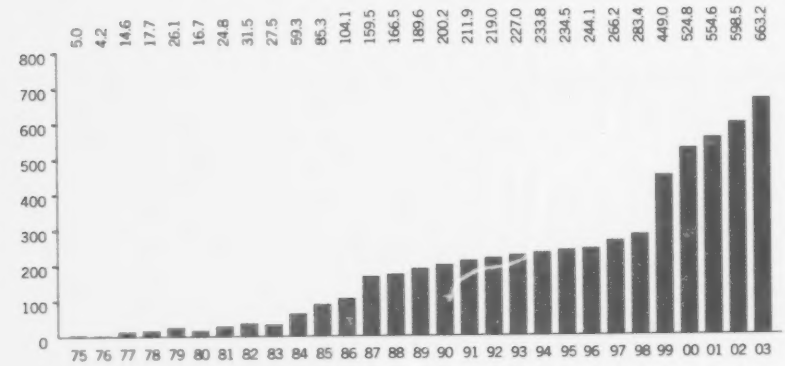


SALES & PROFIT HISTORY

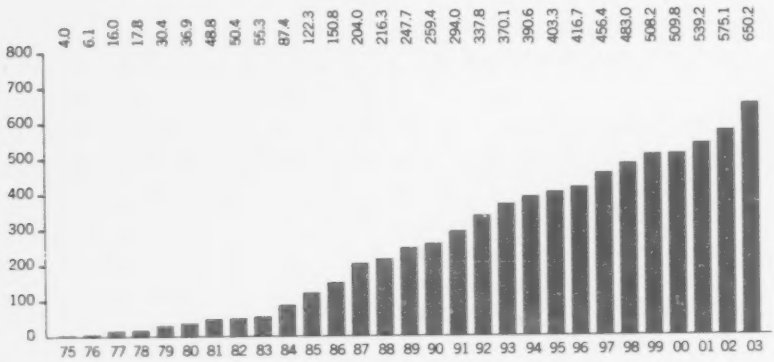
ANNUAL REVENUES



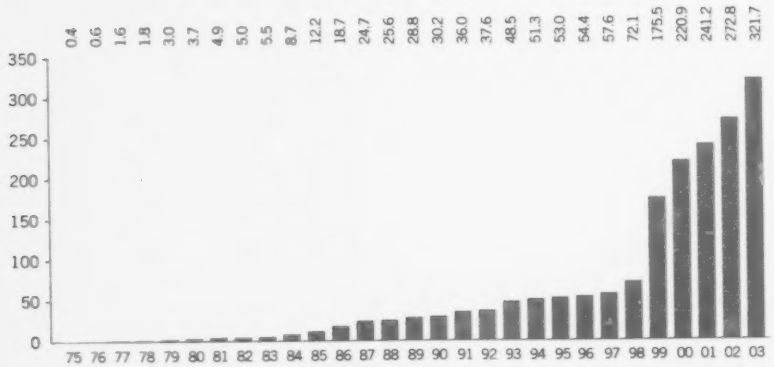
ANNUAL NET INCOME TO GOVERNMENT OF BRITISH COLUMBIA



ANNUAL PRIZES



COMMISSIONS & SERVICE FEES PAID TO LOTTERY RETAILERS, CASINO SERVICE PROVIDERS AND BINGO OPERATORS



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of the Corporation as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial statements in a timely manner.

KPMG LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation. The Auditor's Report outlines the scope of this independent audit and expresses an opinion of the financial statements of British Columbia Lottery Corporation.

Vic Poleschuk
President and CEO

Doug Penrose
Vice-President, Finance and Corporate Services

BRITISH COLUMBIA LOTTERY CORPORATION

YEAR ENDED MARCH 31, 2003

AUDITOR'S REPORT

To the Directors of

British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2003 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Kamloops, Canada
April 11, 2003

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED BALANCE SHEET

March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
ASSETS		
Cash and short-term investments	$ 93,970	$ 80,973
Accounts receivable (note 3)	48,617	46,004
Prepaid expenses	7,251	5,663
Accrued pension plan asset (note 4)	5,863	5,162
Capital assets (note 5)	30,975	22,188
	$ 184,676	$ 159,990
LIABILITIES		
Prize payable	$ 49,113	$ 43,748
Accounts payable and accrued liabilities	62,149	46,994
Accrued post-retirement benefit obligation (note 4)	13,807	11,766
Payable to Provincial Lottery Corporations	12,112	12,581
Due to Government of British Columbia	58,105	50,071
	$ 184,676	$ 159,990

See accompanying notes to consolidated financial statements

Approved:

Director

Director

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED BALANCE SHEET

March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

		2003		2002
ASSETS				
Cash and short-term investments	$	93,970	$	80,973
Accounts receivable (note 3)		48,617		46,024
Prepaid expenses		7,351		5,663
Accrued pension plan asset (note 4)		3,883		5,162
Capital assets (note 5)		30,855		22,168
	$	**184,676**	**$**	**159,990**
LIABILITIES				
Prizes payable	$	55,113	$	49,248
Accounts payable and accrued liabilities		55,439		46,356
Accrued post retirement benefit obligation (note 4)		13,807		12,062
Payable to Interprovincial Lottery Corporation		2,212		2,250
Due to Government of British Columbia		58,105		50,074
	$	**184,676**	**$**	**159,990**

See accompanying notes to consolidated financial statements.

Approved:

Richard Turner
Director

Bruna Giacomazzi
Director

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

		2003		2002
Revenues (note 6)	$	1,792,411	$	1,607,418
Direct Expenses:				
Prizes		650,183		575,057
Retail commissions		321,744		272,848
Ticket printing and bingo paper		15,118		15,584
		987,045		863,489
Revenues less direct expenses		**805,366**		**743,929**
Operating Expenses (note 14):				
Administrative expenses		83,031		88,144
Special operating costs (note 7)		500		7,000
Amortization		20,905		18,598
Less: Interest and other income		(2,906)		(5,241)
		101,530		108,501
Income from operations		**703,836**		**635,428**
GST expense		32,899		29,360
Net income	$	**670,937**	$	**606,068**
Allocation of net income:				
Government of British Columbia	$	659,862	$	594,420
Government of Canada (note 8)		7,767		7,567
Payments pursuant to ministerial direction (note 9)		3,308		4,081
	$	**670,937**	$	**606,068**

Segmented information (note 14)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA

Year ended March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
Balance, beginning of year	$ 50,074	$ 43,777
Net income	670,937	606,068
	721,011	649,845
Payments to Government of British Columbia	655,139	592,204
Allocation of income to Government of Canada	7,767	7,567
	662,906	599,771
Due to Government of British Columbia	**$ 58,105**	**$ 50,074**

See accompanying notes to consolidated financial statements.

	2003	2002
Revenues (note 8)	$ 1,791,411	$ 1,607,418
Direct Expenses:		
Prizes	895,130	770,657
Retailer commissions	71,711	72,848
Travel, printing and other direct costs	19,204	19,984
	986,045	863,489
Revenues less direct expenses	805,366	743,929
Operating Expenses (note 14):		
Administration and other	91,530	99,111
Salaries, benefits and other	9,800	9,390
Amortization	6,200	6,198
Loss on disposal of capital assets	-	12
	101,530	108,501
Income from operations	703,836	635,428
Other income	967	640
Net income	$ 670,937	$ 606,068
Net income allocated to:		
Province of British Columbia	$ 670,937	$ 606,068
Payable at end of year	-	-
	$ 670,937	$ 606,068

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA

	2003	2002
Due to Government of British Columbia	$ 58,105	$ 50,074

	2003	2002
OPERATING		
FINANCING		
INVESTING		
Cash, end of year	$ 93,970	$ 80,973

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
OPERATING:		
Net income	$ 670,937	$ 606,068
Adjustments for:		
Amortization of capital assets	20,905	18,598
	691,842	624,666
Changes in non-cash operating items	13,653	(4,577)
	705,495	620,089
FINANCING:		
Payments to Government of British Columbia	(655,139)	(592,204)
Allocation of income to Government of Canada	(7,767)	(7,567)
	(662,906)	(599,771)
INVESTING:		
Additions to capital assets	(29,592)	(20,225)
Increase in cash	12,997	93
Cash, beginning of year	80,973	80,880
Cash, end of year	**$ 93,970**	**$ 80,973**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Gaming Control Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conduct and management of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: KENO, SCRATCH & WIN, PULL TAB, BC/49, EXTRA, SPORTS ACTION, DAILY 3, LIVING LARGE LOTTERY, CHASER, STARSHIP BINGO, SUPERSTAR GOLD, HANDHELD BINGO, paper bingo games, and casino games including slot machines and table games.

The Corporation is the regional marketing organization for the LOTTO 6/49, LOTTO SUPER 7, AND SPECIAL EVENT games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(B) SHORT-TERM INVESTMENTS

Short-term investments are valued at the lower of cost and market.

(C) CAPITAL ASSETS:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year will be capitalized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

(C) CAPITAL ASSETS (CONTINUED):

ASSET		RATE
Building and leasehold improvements		5 years
Furniture and equipment		5 years
Computer systems		3 years
On-line gaming terminals		3 years
Pull tab vending machines		3 years
Signs and fixtures:	Computer	3 years
	Non-computer	5 years
Bingo equipment		3 years
Casino equipment		3 years

Amortization is prorated in the year the assets are put in use.

(D) EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service, and the lesser of the average of the highest 60 consecutive months earnings of employment and the average of the Year's Maximum Pensionable Earnings over the same period. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair market value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the Pension Benefits Standards Act. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

(E) REVENUE RECOGNITION:

LOTTERY GAMES:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

BINGO GAMES:

Revenue from the operation of paper, electronic, and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

CASINOS:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the statement of income in the period they are incurred.

(F) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out through bonus draws, promotions and retailer incentives.

(G) SOFTWARE DEVELOPMENT COSTS:

Software development costs are expensed in the period in which they are incurred.

(H) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(I) INCOME TAXES:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

3. ACCOUNTS RECEIVABLE:

	2003	2002
Retail	$ 44,963	$ 43,303
Other	3,654	2,721
	$ 48,617	$ 46,024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line bases over their estimated useful lives as follows:

(C) CAPITAL ASSETS (CONTINUED):

ASSET	RATE
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer systems	3 years
On-line gaming terminals	3 years
Pull tab vending machines	3 years
Signs and fixtures: Computer	3 years
Non-computer	5 years
Bingo equipment	3 years
Casino equipment	3 years

Amortization is prorated in the year the assets are put in use.

(D) EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the lesser of the average of the highest 60 consecutive months earnings of employment and the average of the Year's Maximum Pensionable Earnings over the same period. The cost of this program is being funded currently by employees and employer contributions.

The Corporation also provides post retirement benefit for registered nurse health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pension and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair market value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- An actuarial gain or loss is recognized if it exceeds 10 per cent of the accrued benefit obligation at that date. As permitted by CICA Handbook 3461, a transitional asset may be applied immediately to reduce unamortized employer current service contributions. However, the remaining transitional asset may not reduce the funding below zero. Any of the remaining transitional obligation, if any, and any of the remaining transitional asset may be amortized over a maximum of 5 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

(E) REVENUE RECOGNITION:

LOTTERY GAMES:

Revenue from the sale of lottery tickets and the associated selling, cash and prize expenses are included in the statement of income in the period the ticket is sold.

BINGO GAMES:

Revenue from the operation of paper and electronic bingo games, net of prizes paid, and the associated selling costs and prize expenses are included in the statement of income in the same period the games are played.

CASINOS:

Revenue from casino slot machines and table games, net of prizes paid, is included in the statement of income. Net of prizes paid in the year against the value of casino chips purchased, casino operating costs are recorded in the statement of income in the period they are incurred.

(F) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the estimated ultimate lottery expense for each game. These estimates are reviewed each year and any changes to the estimate based on the actual experience of the game are recorded in the year the change is determined. Prize expense for casino table games is recorded based on the actual payout percentage for each table game multiplied by the total amount wagered during the year. Prizes paid out through casino slot machines are recorded as expense.

(G) SOFTWARE DEVELOPMENT COSTS:

Software development costs are expensed in the year in which they are incurred.

(H) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(I) INCOME TAXES:

As a Provincial Crown agency, the Corporation is not subject to income or capital taxes.

3. ACCOUNTS RECEIVABLE:

	2003	2002
Trade	$ 44,965	$ 43,353
Other	4,852	771
	$ 49,817	$ 44,124

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

4. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002
Accrued benefit obligation				
Balance at beginning of year	$ 34,901	$ 30,507	$ 12,991	$ 9,551
Adjustment for Early Retirement Program	1,700	-	-	-
Current service cost	1,403	1,554	919	766
Interest cost	2,787	2,373	1,038	770
Employee contributions	1,267	1,306	-	-
Benefits paid	(1,469)	(795)	(212)	(148)
Actuarial loss (gain)	-	(44)	5,275	2,052
Balance at end of year	40,589	34,901	20,011	12,991
Plan assets				
Fair value at beginning of year	39,117	35,355	-	-
Annual return on plan assets	(5,162)	1,370	-	-
Employer contributions	1,825	1,881	212	148
Employee contributions	1,267	1,306	-	-
Benefits paid	(1,469)	(795)	(212)	(148)
Balance at end of year	35,578	39,117	-	-
Funded status - surplus (deficit)	(5,011)	4,216	(20,011)	(12,991)
Unamortized net actuarial loss (gain)	8,894	946	6,204	929
Accrued benefit asset (liability)	$ 3,883	$ 5,162	$ (13,807)	$ (12,062)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

4. EMPLOYEE FUTURE BENEFITS CONTINUED:

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. An actuarial valuation was made as of March 31, 2000 by William M. Mercer, a firm of consulting actuaries and then extrapolated to March 31, 2003. The Corporation will be having a valuation completed as of March 31, 2003. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002
At beginning of period:				
Discount rate	7.5%	7.5%	7.5%	7.5%
Expected rate of return on plan assets	7.0%	7.0%	-	-
Rate of compensation increase	5.0%	5.0%	-	-
Health care cost trend rate:				
2003/2002	-	-	5.10%	5.68%
Ultimate	-	-	4.10%	4.10%
Year ultimate reached	-	-	2005	2005
At end of period:				
Discount rate	7.5%	7.5%	7.5%	7.5%
Rate of compensation increase	5.0%	5.0%	-	-

The Corporation's net benefit plan expense is as follows:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 1,403	$ 1,554	$ 919	$ 766
Interest cost	2,787	2,373	1,038	770
Expected return on plan assets	(2,786)	(2,566)	-	-
Amortization of net actuarial gain	-	-	-	(8)
Net benefit plan expense	$ 1,404	$ 1,361	$ 1,957	$ 1,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. EMPLOYEE FUTURE BENEFITS:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

4. EMPLOYEE FUTURE BENEFITS CONTINUED:

Every three years an actuarial valuation is performed to assess the funds in position of the pension plan. An actuarial valuation was made as of March 31, 2000 by William M. Mercer, a firm of consulting actuaries, and then extrapolated to March 31, 2003. The Corporation will be having a valuation completed as of March 31, 2003. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

5. CAPITAL ASSETS:

			2003	2002
	COST	ACCUMULATED AMORTIZATION	NET	NET
Land	$ 700	$ -	$ 700	$ 700
Building and leasehold improvements	23,270	20,880	2,390	3,607
Furniture and equipment	4,557	3,878	679	939
Computer systems	25,259	23,473	1,786	1,358
On-line gaming terminals	41,341	38,304	3,037	1,690
Pull tab vending machines	8,226	7,879	347	570
Signs and fixtures	8,136	6,246	1,890	1,929
Bingo equipment	20,607	15,920	4,687	3,163
Casino equipment	57,597	42,258	15,339	8,212
	$ 189,693	$ 158,838	$ 30,855	$ 22,168

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

6. REVENUES:

	2003	2002
LOTTERY:		
KENO	$ 226,335	$ 222,849
SCRATCH & WIN	183,321	199,311
LOTTO 6/49	171,682	194,941
LOTTO SUPER 7	111,156	61,275
PULL TAB	94,433	113,047
EXTRA	72,184	64,891
BC/49	64,656	70,781
SPORTS ACTION	30,384	25,862
LIVING LARGE LOTTERY	7,989	-
DAILY 3	4,393	4,459
CHASER	2,076	2,428
SPECIAL EVENT	-	2,851
	968,609	962,695
BINGO:		
Bingo paper retail	116,214	29,050
STARSHIP BINGO	55,816	40,176
SUPERSTAR GOLD	11,867	14,237
HANDHELD BINGO	11,781	8,874
	195,678	92,337
CASINO - NET WIN:		
Slot machines	373,627	311,739
Table games	254,497	240,647
	628,124	552,386
Total revenues	$ 1,792,411	$ 1,607,418

5. CAPITAL ASSETS:

	COST	ACCUMULATED AMORTIZATION	2003 NET	2002 NET
Land	$ 700	$	$ 700	$ 700
Building and leasehold improvements	43,270	10,880	32,390	31,907
Furniture and equipment	11,577	9,678	1,899	1,999
Computer systems	10,859	9,473	1,386	1,179
On-line gaming terminals	81,241	48,304	32,937	17,858
Slot machines	4,136	3,990	146	170
Signs and fixtures	4,130	2,240	1,890	1,913
Rolling stock	3,662	2,313	1,349	2,104
Construction in progress	11,197	2,756	8,441	8,317
	$ 180,772	$ 139,634	$ 41,138	$ 66,147

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUES:

	2003	2002
LOTTERY:		
KENO	[illegible]	[illegible]
SCRATCH & WIN	[illegible]	[illegible]
LOTTO 649	[illegible]	[illegible]
LOTTO SUPER 7	[illegible]	[illegible]
DAILY TAB	[illegible]	[illegible]
EXTRA	[illegible]	[illegible]
BC 49	[illegible]	[illegible]
SPORTS ACTION	[illegible]	[illegible]
LIVING LARGE LOTTERY	[illegible]	
DAILY 3	[illegible]	[illegible]
CHASER	[illegible]	[illegible]
SPECIAL EVENTS		[illegible]
	[illegible]	[illegible]
BINGO:		
PROVINCIAL BINGO	[illegible]	[illegible]
GAMESHIP BINGO	[illegible]	[illegible]
SUPER SAFARI GOLD	[illegible]	[illegible]
HANDHELD BINGO	[illegible]	[illegible]
	[illegible]	[illegible]
CASINO – NET WIN:		
Slot machines	[illegible]	[illegible]
Table games	[illegible]	[illegible]
	[illegible]	[illegible]
Total revenues	$ 1,792,411	$ 1,607,418

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

7. SPECIAL OPERATING COSTS:

Special operating costs relate to the estimated restructuring costs associated with the Corporation's Core Services Review. Included in the costs are employee severance and early retirement costs and other costs related to the restructuring of the business.

8. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $8,000 for the next fiscal year ending March 31, 2004.

9. PAYMENTS PURSUANT TO MINISTERIAL DIRECTION:

Pursuant to Section 22 of the Financial Administration Act, the Corporation has been directed to pay for the Problem Gambling Program costs administered by the Ministry, Health Planning. Payments in 2002 also included the costs of the Gaming Policy Secretariat.

10. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

11. LEASE OBLIGATIONS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2004	$ 1,340
2005	1,183
2006	958
2007	368
2008	140

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The carrying value of accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation are recorded at cost, which approximates fair value.

13. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

14. SEGMENTED INFORMATION:

Year ended March 31, 2003

SECTOR OF ACTIVITY	LOTTERIES	CASINOS	BINGOS	CONSOLIDATED
Revenues	$ 968,609	$ 628,124	$ 195,678	$ 1,792,411
Direct Expenses:				
Prizes	532,016	-	118,167	650,183
Retailer commissions	65,404	218,328	38,012	321,744
Ticket printing and bingo paper	12,856	-	2,262	15,118
	610,276	218,328	158,441	987,045
Revenue less direct expenses	**358,333**	**409,796**	**37,237**	**805,366**
Operating Expenses:				
Administrative expenses	51,020	25,365	6,646	83,031
Special operating costs	191	275	34	500
Amortization	5,014	11,687	4,204	20,905
Less: Interest and other income	(2,840)	(121)	55	(2,906)
	53,385	37,206	10,939	101,530
Income from operations	**304,948**	**372,590**	**26,298**	**703,836**
GST expense	11,402	17,966	3,531	32,899
Net income	**$ 293,546**	**$ 354,624**	**$ 22,767**	**$ 670,937**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. SEGMENTED INFORMATION

Year ended March 31, 2003

SECTOR OF ACTIVITY	LOTTERIES	CASINOS	BINGOS	CONSOLIDATED
Revenues	$ 968,609	$ 628,124	$ 195,678	$ 1,792,411
Direct Expenses:				
Prizes	532,116		118,167	650,283
Retailer commissions	65,404	218,328	38,012	321,744
Ticket printing and bingo paper	12,856		2,262	15,118
	610,276	218,328	158,441	987,045
Revenue less direct expenses	358,333	409,796	37,237	805,366
Operating Expenses:				
Administrative expenses	51,020	25,365	6,646	83,031
Special Operating Costs	191	275	34	500
Amortization	5,014	11,687	4,204	20,905
Less: Interest and other income	(2,840)	(121)	55	(2,906)
	53,385	37,206	10,939	101,530
Income from operations	304,948	372,590	26,298	703,836
GST expense	11,402	17,966	3,531	32,899
Net income	$ 293,546	$ 354,624	$ 22,767	$ 670,937

14. SEGMENTED INFORMATION CONTINUED:

SECTOR OF ACTIVITY	LOTTERIES	CASINOS	BINGOS	CONSOLIDATED
Revenue	$ 665,799	$ 494,386	$ 80,333	$ 1,240,518
Direct Expenses:				
Prizes	231,848		55,289	287,137
Retailer commissions	108,424	135,076	14,348	257,848
Technical services and licence fees	13,454		3,140	16,594
	353,726	135,076	72,777	561,579
Revenue less direct expenses	312,073	359,310	7,556	678,939
Operating Expenses:				
Administrative expenses	35,409	36,791	5,544	77,744
Special operating costs	669	3,746	195	4,610
Amortization	15,387	15,152	1,963	32,502
Less: interest and other income	(5,713)	(90)	181	(5,622)
	45,752	55,599	7,883	109,234
Income from operations	266,321	303,711	(327)	569,705
GST expense	17,401	18,854	1,585	37,840
Net income	$ 248,920	$ 284,857	$ (1,912)	$ 531,865

SECTOR OF ACTIVITY	LOTTERIES	CASINOS	BINGOS	CONSOLIDATED
Revenue	$ 665,082	$ 492,389	$ 80,337	$ 1,607,418
Direct Expenses:				
Prizes	231,848		55,289	287,137
Retailer commissions	108,424	135,076	14,348	257,848
Technical services and licence fees	13,454		3,140	16,594
	353,726	135,076	72,777	561,579
Revenue less direct expenses	361,969	359,310	22,650	743,929
Operating Expenses:				
Administrative expenses	35,409	36,791	5,544	77,744
Special operating costs	669	3,746	195	4,610
Amortization	15,387	15,152	1,963	32,502
Less: interest and other income	(5,713)	(90)	181	(5,622)
	45,752	55,599	7,883	109,234
Income from operations	316,217	303,711	14,767	634,695
GST expense	17,401	18,854	1,585	37,840
Net income	$ 298,816	$ 284,857	$ 13,182	$ 596,855

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

14. SEGMENTED INFORMATION CONTINUED:

Year ended March 31, 2002

SECTOR OF ACTIVITY	LOTTERIES	CASINOS	BINGOS	CONSOLIDATED
Revenues	$ 962,695	$ 552,386	$ 92,337	$ 1,607,418
Direct Expenses:				
Prizes	521,848	–	53,209	575,057
Retailer commissions	65,424	193,076	14,348	272,848
Ticket printing and bingo paper	13,454	–	2,130	15,584
	600,726	193,076	69,687	863,489
Revenue less direct expenses	**361,969**	**359,310**	**22,650**	**743,929**
Operating Expenses:				
Administrative expenses	55,406	26,793	5,945	88,144
Special operating costs	2,989	3,746	265	7,000
Amortization	3,536	13,153	1,909	18,598
Less: Interest and other income	(5,712)	290	181	(5,241)
	56,219	43,982	8,300	108,501
Income from operations	**305,750**	**315,328**	**14,350**	**635,428**
GST expense	11,921	15,854	1,585	29,360
Net income	**$ 293,829**	**$ 299,474**	**$ 12,765**	**$ 606,068**

British Columbia Lottery Corporation

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"I had people pouring in and out of my house screaming, yelling and crying all day Saturday."

British Columbia Lottery Corporation

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